84-1089

No.

Office-Supreme Court, U.S.
FILED
JAN 2 1985
ALEXANDER L. STEVAS,
CLERK

IN THE

Supreme Court of the United States

OCTOBER TERM, 1984

NICK N. NOVICKY,

Petitioner,

vs.

SYNTEX OPHTHALMICS, INC. and ARAPAHOE CHEMICALS, INC. (now SYNTEX CHEMICALS, INC.),

Respondents.

NICK N. NOVICKY,

Petitioner,

vs.

GEORGE F. TSUETAKI and FUSED KONTACTS OF CHICAGO, INC.,

Respondents.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

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37pp

QUESTIONS PRESENTED

1. Did not the Federal Circuit err in giving a preclusive effect to a state trial court judgment later reversed by a state appellate court where:

(a) the Illinois Appellate Court found that the state trial court judgment could not stand because it was procured through "fraud" and "unconscionable behavior", thus requiring that the state trial court judgment be vacated and the case retried;

(b) the Federal Circuit, notwithstanding the reversal by the Illinois Appellate Court, accorded that state trial court judgment a collateral estoppel effect; and,

(c) the effect of the Federal Circuit decision is to prevent petitioner from availing himself of a right to prove

title to certain patents in issue which was assured to him by the decision of the Illinois Appellate Court?

2. Should not the federal courts have abstained from exercising jurisdiction in this case until the state case is resolved where:

(a) the exercise of federal jurisdiction deprives petitioner of a right he was given by a state court;

(b) the federal forum has no jurisdiction over all parties which the state appellate court held were necessary for a complete resolution of all the issues; and

(c) the federal courts' exercise of jurisdiction is likely to result in different dispositions of title to the same patents, one by the federal courts and an inconsistent one by the state courts?

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PETITIONER'S RULE 28 STATEMENT

Petitioner Nick N. Novicky, an individual, has no corporate affiliations.

IN THE
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OCTOBER TERM, 1984

No.

NICK N. NOVICKY,

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Respondents.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

Petitioner respectfully prays that a writ

of certiorari issue to review the judgment of the United States Court of Appeals for the Federal Circuit in its cause Nos. 84-838 and 84-857. The judgment was entered on October 3, 1984.

OPINIONS BELOW

The opinion of the Court of Appeals has not yet been officially reported; it is reproduced in the appendix hereto starting at 1a. The conflicting Illinois Appellate Court opinion is reproduced in the appendix starting at 53a.

JURISDICTION

The judgment for which this Court's review is sought was entered October 3, 1984. This Court has jurisdiction by virtue of 28 U.S.C. §1254(1).

THE CONSTITUTIONAL PROVISION INVOLVED

U.S. Constitution, Amendment V

"No person shall...be deprived of life, liberty or property, without due process of law...."

STATEMENT OF THE CASE

This proceeding was commenced in the Circuit Court of Cook County in Chicago on a complaint filed by Fused Kontacts of Chicago, Inc. and its president George F. Tsuetaki (hereinafter collectively referred to as "Tsuetaki") against his former employee Nick N. Novicky for breach of contract and misappropriation of trade secrets.

Novicky is a chemist, having been awarded his Masters degree in this country, following receipt of his bachelors degree from his native Czechoslovakia in 1963. He holds six patents.

A few months after Tsuetaki brought his state court action, Syntex Ophthalmics, Inc. and Arapahoe Chemicals, Inc. (hereinafter collectively referred to as "Syntex") brought an action in federal court in Chicago, alleging both misappropriation of trade secrets and patent infringement against both Novicky and Tsuetaki. Tsuetaki was thus in the position of asserting trade secret protection

in the state litigation, while denying the existence of such protection in the federal litigation. Both Tsuetaki and Syntex have taken different and inconsistent positions in the two courts, leading to irreconcilable conflicts between the state and federal courts, requiring this Court's intervention.

In so demonstrating, we ask this Court's indulgence to consider the following history of the controversies.

A. The Background Facts.

Syntex, in early 1977, purchased technology which formed the basis for its business of making and selling gas-permeable contact lenses called "Polycon" -- lenses which are permeable to oxygen and hence allow oxygen from the air to pass through the lenses and contact the cornea. That allows such lenses to be worn for longer periods of time as compared to contact lenses available before.

The contact lenses in question are made from two chemical materials, one of which is

a silicon-containing compound known as a "silicone monomer". Those chemicals or their use together to form clear plastics were not new. In fact, it is because of Syntex' fragile patent position that it has invested millions of dollars in fighting Novicky as a lone inventor.

Novicky went to work for Syntex in 1973 as a chemist. When Syntex set up its Polycon contact lens project in early 1977, Novicky was transferred to that project, optimizing the procedures by which Syntex' lenses were made. Novicky's procedures, called "batch sheets", were discarded by Syntex before this litigation ever began.

Novicky's work on the project quickly led to problems. Tiring of the tedious task of running chemical reactions over and over for the Food and Drug Administration, Novicky wandered from his assigned task to develop new and better chemicals for use in making

such lenses. Novicky's boss soon ordered him to stop until FDA approval for the planned lens was in hand. Frustrated over his plight and Syntex' contention that Novicky, having only a Masters degree and not a Ph.D, was not qualified to do such basic research, Novicky, on May 12, 1978, was forced to resign.

B. Novicky's Connection with Tsuetaki.

Novicky, after leaving Syntex, set out to prove that Syntex was wrong; he conceived of a new silicone monomer, later called S-9. With that in hand, Novicky contracted with Tsuetaki, whereby Novicky was hired to develop his new product and he, in turn, assigned his rights therein to Tsuetaki.

Enter Syntex' problem. Novicky's new monomer was not only better than the monomer of Syntex, so too it was beyond the reach of Syntex' patents!

Within a few months of signing their agreement, Novicky began his development of a

product that became known as the "GN-1" lens marketed by Tsuetaki. Tsuetaki first sold his new product outside the United States. Because the lens was far superior to that sold by Syntex, Tsuetaki's sales began to flourish. At the same time however, Tsuetaki became greedy; Novicky was no longer permitted to do the development work he was hired for. Instead he was asked to produce more and more material for Tsuetaki to sell. Finally, Novicky couldn't produce enough material to keep Tsuetaki happy.

Novicky, experiencing the same kind of problem he had had at Syntex, resigned in June of 1980.*

C. The State Court Litigation.

Shortly after Novicky left, Tsuetaki brought suit in the Circuit Court of Cook

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* At first, Tsuetaki tried to placate Novicky, paying him additional money to supervise Tsuetaki's application for FDA approval. Just before Novicky resigned, Tsuetaki agreed to pay Novicky $1.00 royalty per rod of material produced in return for Novicky's changing roles from a research chemist to a production chemist.

County for alleged breach of the employment agreement. Among other things, Tsuetaki sought an order directing Novicky to assign to him title to certain patent applications Novicky had filed in his name as the inventor.

Novicky denied Tsuetaki's charges, alleging that the August, 1978 agreement between them had been modified by further written agreements. Novicky also counterclaimed for breach of contract on the part of Tsuetaki.

At the trial of the state court action, Tsuetaki disavowed every one of the supplemental agreements that he had signed, contending that each had been coerced by reason of Novicky's alleged slowdown of production so that Tsuetaki could not fill his orders. Even though the technology relating to the GN-1 material had been disclosed to the world in Novicky's '303 patent, Tsuetaki argued also that such technology represented trade secrets which he owned. Following a trial on the merits, the Circuit

Court ruled that Novicky had breached his employment agreement. Among other things, the Circuit Court entered an injunction enjoining Novicky from:

> "...disclosing to any person... technology involved in the manufacture of contact lenses including, but not limited to, those which could, would or did lead to the filing of applications for letters patent."

The Circuit Court also ordered Novicky to repay the monies paid him for his work on the FDA file; it voided ab initio the $1 per rod agreement.

During the trial of the state court action, Syntex sought to monitor the proceedings to determine if its trade secret rights were involved. Both counsel for Tsuetaki and counsel for Novicky objected; their protests soon became moot. On November 21, 1980, Syntex filed suit in the United States District Court for the Northern District of Illinois, naming both Tsuetaki and Novicky as defendants.

D. The Syntex Complaint.

The original complaint filed by Syntex

(Civil Action No. 80 C 6257) alleged that Novicky learned of Syntex' trade secrets while working on its Polycon project, and then wrongfully transmitted those trade secrets to Tsuetaki. Its complaint was later amended to include not only the same cause of action for misappropriation of trade secrets, but also an allegation that both Novicky and Tsuetaki had infringed Novicky's '303 patent which Syntex pleaded that it owned.

E. The Post-Judgment Events In The Circuit Court.

After Syntex' federal action was filed in November of 1980 and after the Circuit Court had entered its judgment in the state case, Novicky, responding to a document request in the federal action, turned over some of his documents to Syntex' counsel, a move which Tsuetaki interpreted as a violation of the Circuit Court's injunction. Tsuetaki then moved before the Circuit Court to hold Novicky in contempt.

Not only did Novicky respond to Tsuetaki's petition in the state court, but so did Syntex. As a result, Tsuetaki filed a supplemental complaint in the state court action, seeking in new Count V declaratory judgment against both Syntex and Novicky and asking the Circuit Court to declare that its January 13, 1981 judgment applied to Syntex as well as Novicky.

On July 10, 1981, the Circuit Court granted Tsuetaki's motion to add Syntex as a party, holding that a special appearance Syntex had filed was, in reality, a general appearance. At the same time, it denied Novicky's motion for a new trial.

Next came two events of critical importance. Four days after the Circuit Court's order of July 10, 1981 adding Syntex as a party, Novicky filed a notice of appeal to the Appellate Court of Illinois, First District, seeking review of the Circuit Court's order of January 13, 1981, granting judgment to

Tsuetaki, and also the Circuit Court's order of July 10, 1981, denying Novicky's motion for a new trial.

Three days after Novicky filed his notice of appeal, Syntex filed a removal petition, purportedly removing the Circuit Court action to federal court in Chicago. Unaccountably, that removal petition was not filed in the Illinois Appellate Court where the case was pending; it was filed in the Circuit Court after Novicky's notice of appeal had already transferred the case to the Illinois Appellate Court. (That "removed" action was assigned Civil Action No. 81 C 4050 in the District Court.)

F. The Disposition Of Novicky's Appeal.

In the meantime, Novicky filed a petition under §72 of the Illinois Civil Practice Act, asking that the judgment of the Circuit Court be vacated on the basis of newly-discovered evidence. The new evidence which Novicky referred to the Circuit Court included discovery

taken by Syntex in its original federal action, 80 C 6257, showing that Tsuetaki and his comptroller testied untruthfully in the Circuit Court by saying that the supplemental agreements entered into by Tsuetaki and Novicky had been coerced. Thus, the new evidence established that the very cornerstone of Tsuetaki's case against Novicky was grounded on perjury.

The Circuit Court dismissed Novicky's petition; Novicky also appealed that order. His appeals were consolidated and argued before the Illinois Appellate Court. On December 7, 1983, the Appellate Court reversed the Circuit Court's decision in its entirety, holding that Tsuetaki and his comptroller had committed "fraud" and were guilty of "unconscionable behavior" in giving "apparently false testimony". The Illinois Appellate Court held also that Syntex was an indispensible party to the controversy, and remanded the case to

the Circuit Court for a new trial.

On December 28, 1983, Tsuetaki filed a petition for rehearing, asking the Illinois Appellate Court to vacate its decision and dismiss Novicky's appeals, on the theory that Syntex' removal petition, filed three days after Novicky's notice of appeal, had divested the Appellate Court of jurisdiction.*

G. The Federal Court Proceedings.

After Syntex filed its petition purporting to remove the Circuit Court action, Tsuetaki moved to remand. That motion was denied by the District Court on March 24, 1982 -- after Novicky's opening brief had been filed in the state court appeal. Even though Novicky had, on appeal, the Circuit Court's January 13, 1981 order, the District Court ruled that Novicky "had no claim or interest remaining" in the technology at issue, and thus his pre-

* Tsuetaki's petition for rehearing was filed pro se, although it was obviously the work of Syntex' lawyers. Syntex followed up with its own petition for rehearing. Tsuetaki's petition for rehearing is still pending before the Illinois Appellate Court.

sence as a co-defendant did not destroy diversity in Tsuetaki's state action against Syntex. The District Court then consolidated, for all purposes, the removed action, 81 C 4050, with the original action, 80 C 6257, under the caption of the latter.

In due course, the District Court, on May 6, 1982, granted Syntex a preliminary injunction -- without ever holding an evidentiary hearing to determine the disputed factual issues. That preliminary injunction was affirmed by the Court of Appeals (Syntex Ophthalmics, Inc. v. Tsuetaki (7 Cir., 1983), 701 F.2d 677).*

* The preliminary injunction granted Novicky the right to use publicly-available information, so long as it was authorized by the District Court. Novicky did successfully avail himsel of that limited remedy -- only after battling with Syntex for months at untold expense. The arguments Syntex advanced against Novicky's efforts to use publicly-available information strained belief. Novicky argued that he was entitled to use a chemcal process of an old Russian publication. Syntex argued the contrary, contending that Novicky had translated that publication while he was a Syntex employee, and was barred from using that process because he made a translation the publication describing it.

H. The District Court's Disposition Of Novicky's Counterclaims.

While working for Syntex, Novicky, in violation of his boss' orders not to conduct research on new silicone monomers, contemplated some additional monomers for use in making gas-permeable contact lenses. After he left Syntex, Novicky invented new silicone monomers, ultimately patenting those monomers in his '483 and '989 "private" patents involved in the state court litigation.

Because Syntex had claimed title to those monomers, Novicky, by way of a counterclaim filed in August of 1982, averred that Syntex had committed fraud and was seeking unjust enrichment in arguing that it held title to those private patents.

Novicky's counterclaim was dismissed by the District Court on the ground of collateral estoppel arising from the Circuit Court judgment -- then on appeal. The District Court was, of course, unaware that Tsuetaki's judg-

ment against Novicky, giving rise to the estoppel, had been secured through "fraud" and "unconscionable behavior". In the view of the District Court, the Circuit Court judgment established Syntex as the owner of all of Novicky's patents, leaving Novicky with no standing to litigate with Syntex respecting Novicky's rights to those patents.

I. The District Court's Disposition Of The Title Issue On Summary Judgment.

On the eve of trial of the federal case, Syntex and Tsuetaki settled the controversy between them. Relying on the settlement agreement between Syntex and Tsuetaki, Syntex moved for summary judgment, assuring the court that Tsuetaki was to assign to Syntex all of his rights in the Novicky patents and applications involved in the case, specifically including the '303, '483 and the '989 patents. Syntex argued that, by reason of its agreement with Tsuetaki, it owned what Tsuetaki formerly owned and that Novicky was collaterally estopped by

the state court judgment from denying Tsuetaki's title.

The District Court adopted Syntex' arguments, granting its motion for summary judgment -- all without ever permitting Novicky or his counsel to see the mysterious settlement agreement.*

J. The Trial Of The District Court Action.

Having disposed of the title issue on summary judgment, the District Court set the remaining phase of the case -- Syntex' claim for misappropriation of trade secrets -- for trial in June of 1983, Novicky acting pro se. The District Court, on December 12, 1983, ruled that Syntex had invested twenty man-years in its Polycon project, and entered an order prohibiting Novicky from using Syntex' alleged

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* Because the settlement agreement was the cornerstone of Syntex' motion for summary judgment, Novicky asked to see the agreement on which the Syntex motion was based. Unaccountably, the District Court refused to order Syntex to produce that agreement even though its motion for summary judgment was based directly on it.

trade secrets for twenty years from the date he left Syntex' employ. The injunction also barred Novicky from using or disclosing information contained in Syntex' "batch sheets" which were "not found in public domain documents".

The injunction also barred Novicky from using his own S-9 monomer with "any of the reaction steps, specific reaction conditions, procedures, preparatory steps or reagents" -- without ever hearing a word of evidence on the issue of whether Novicky had conceived those monomers while he was a Syntex employee (and hence Syntex might arguably have rights to them), or after he left Syntex' employ (when Syntex would have no rights to them at all).*

K. The Decision Of The Federal Circuit.

Novicky took his appeal to the Court of

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* The District Court was aware, at the time of its decision, that the state court judgment on which it had based collateral estoppel had been reversed; unaccountably, it refused to vacate its earlier rulings based on estoppel.

Appeals for the Federal Circuit. On October 3, 1984, the Federal Circuit, in large measure, reversed the decision of the District Court. It reversed the injunction out of hand, finding that it was "clear error and an abuse of discretion" to extend the injunction for twenty years. The Federal Circuit remanded the case to determine the proper scope of any injunction entered afer remand.

To its credit, the Federal Circuit rejected Syntex' argument that the Illinois Appellate Court had no jurisdiction; it reasoned that Novicky's notice of appeal, filed before the removal petition, divested the Circuit Court of jurisdiction as to Counts I-IV and hence the District Court, on filing of the removal petition, acquired no jurisdiction over Counts I-IV.*

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* The Federal Circuit's conclusion that only Count V was removed is dead wrong! In denying Novicky's motion to remand filed after the District Court's decision on the merits (but before final judgment), the District Court itself referred to Syntex having "removed the <u>entire action</u> to this court...."

The Federal Circuit ruled that no collateral estoppel could arise from that part of the state court judgment which was reversed, namely the '487 and '989 "private" patents. Even though the Illinois Appellate Court reversed the entire judgment entered by the Circuit Court and remanded the entire case for a new trial, the Federal Circuit gave the now defunct Circuit Court judgment a collateral estoppel effect with respect to the remaining patents.*

The practical effect of that ruling was to deny Novicky a hearing as to the issue of ownership of the patents here involved -- and to force him to once again litigate the same issues in two different forums. He would have obtained that hearing in the Circuit Court, once the case is remanded for the new

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* That conclusion was apparently based on a casual remark in the Illinois Appellate Court's decision that, as to some of the applications filed by Novicky, he "agrees" that they belong to Tsuetaki.

trial as ordered by the Appellate Court. However, because of the collateral estoppel effect erroneously given that judgment by the Federal Circuit, Novicky is once again denied that hearing; and the Federal Circuit and the Illinois Appellate Court are in a head-to-head conflict.

REASONS FOR GRANTING THE WRIT

Rarely has this Court, we are sure, seen a case in shambles as is the case here. This Court must intervene in this case to stop, once and for all, a shocking miscarriage of justice. Novicky -- an individual with limited resources -- has been deprived by the Federal Circuit of his property without due process of law by reason of wrongful federal interference with the state courts, as will now be shown.

A. Novicky Has Been Deprived Of Property Without Due Process Of Law By The Federal Circuit's Finding That The State Court Judgment Is Entitled To A Preclusive Effect.

The fundamental error committed by the Federal Circuit was its finding that the Circuit Court judgment, reversed by the Illinois

Appellate Court, was entitled to even a limited preclusive effect respecting title to four of Novicky's patents in issue.

In its present posture, Syntex was awarded title to the '303 and several other Novicky patents -- without Novicky ever having had an opportunity to present to any court his position on why he is the owner of those patents. The closest opportunity he had was in the state court, but the adverse judgment entered against him there was procured through "fraud" and "unconscionable behavior". Remember: Novicky's counterclaim against Tsuetaki for breach of contract has been reinstated by the Illinois Appellate Court's decision. If Novicky can prevail on that counterclaim, he can establish, as against Tsuetaki (from whom Syntex derives its only rights), that Novicky has title to the patents in issue.

In other words, the decision of the Illinois Appellate Court <u>vacating</u> the state court

judgment reopens the question of whether Novicky was obligated to reassign the '303 patent and others to Tsuetaki, and consequently reopens the very judgment given a preclusive effect by the Federal Circuit.

By giving a collateral estoppel effect to any part of the now defunct state court judgment, the Federal Circuit has effectively deprived Novicky of his right to establish title to the patents in issue and has also deprived Novicky of the relief he secured in the Illinois Appellate Court from a judgment procured through "fraud" and "unconscionable behavior".

In sum, the Federal Circuit, by depriving Novicky of an opportunity to present his claim for title to the patents in dispute, conflicts directly with the ruling of the Illinois Appellate Court that Novicky is entitled to a new trial.

The decision of the Federal Circuit amounts to a denial of due process and improper inter-

ference with the Illinois courts.

B. Due Process Demands That The Federal Courts Abstain Until After The State Court Has Acted.

Wholly apart from the denial of due process created by the Federal Circuit's granting of the defunct state court judgment a preclusive effect, the "abstention" doctrine is constitutionally mandated here to prevent wrongful federal interference by the federal courts with the work of the Illinois state courts.

We recognize the oft-stated rule that "the pendency of an action in the state court is no bar to a proceeding concerning the same matter in the Federal Court having jurisdiction" (McClellan v. Carland (1910), 217 U.S. 268). As this Court noted, in Colorado River Water Conservation District v. United States (1976), 424 U.S. 800, 817:

> "This difference in general approach between state-federal concurrent jurisdiction and wholly federal concurrent jurisdiction stems from the virtually unflagging obligation of the federal courts to exercise the jurisdiction given them."

This Court went on to say, in Colorado River (at p. 818):

> "Given this obligation, and the absence of weightier considerations of constitutional adjudication and state-federal relations, the circumstances permitting the dismissal of a federal suit due to the presence of a concurrent state proceeding for reasons of wise judicial administration are considerably more limited than the circumstances appropriate for abstention."

The factors bearing on application of the abstention doctrine are varied. As this Court said, in Colorado River (at p. 818):

> "No one factor is necessarily determinative; a carefully considered judgment taking into account both the obligation to exercise jurisdiction and the combination of factors counselling against that exercise is required."

Such factors include the inconvenience of the federal forum (Gulf Oil v. Gilbert (1947), 330 U.S. 501), the desirability of avoiding piecemeal litigation (Brillhart v. Excess Insurance Co. (1942), 316 U.S. 491)

and the order in which jurisdiction was obtained by the concurrent forums (Pacific Live Stock Co. v. Oregon Water Board (1916), 241 U.S. 440).

In this case, all of the factors point to abstention by the federal courts. Here, it was the Circuit Court which first assumed jurisdiction, and that court may exercise that jurisdiction to the exclusion of other courts (Donovan v. City of Dallas (1964), 377 U.S. 408; Princess Lida v. Thompson (1939), 305 U.S. 456).

Here also, the federal forum is not only inconvenient, it is inappropriate. Tsuetaki is not a party to the federal litigation by reason of the settlement he reached with Syntex. Because Novicky still has claims against Tsuetaki which have yet to be resolved, the controversy between Tsuetaki and Novicky can only be resolved in state court where both are parties. Syntex is already a party to

the state court action, and indeed its very presence as a party was mandated by the Illinois Appellate Court to insure that the Circuit Court had jurisdiction to make a full resolution of the controversy pending there.

Apart from the bare fact that the federal court has jurisdiction, there is no reason, in this case, for the federal court to proceed with its adjudication of the controversy. The issue among the parties is title to certain patents - a purely state matter having no federal interest whatsoever.* Novicky has suffered enough economically by having to defend two separate cases, one in the federal court and one in the state court. For the first time, Novicky has the opportunity to have the rights of all three claimants to title to the patent heard in the same case in the same forum. As this Court noted, in Colorado River (424 U.S. at 819):

* It will be settled that questions of patent title do not arise under any act of Congress (Beghin-Say International Inc. v. Ole-Bendt Rasmussen (Fed.Cir., 1984), 733 F.2d 1568).

> "This policy is akin to that underlying the rule requiring that jurisdiction be yielded to the court first acquiring control of property, for the concern in such instances is with avoiding the generation of additional litigation through permitting inconsistent dispositions of property."

That admonition applies here with redoubled emphasis. The Federal Circuit has already awarded title to the patents in issue to Syntex without ever hearing Novicky's side of the story, while the Illinois courts will, under the mandate of the Illinois Appellate Court, allow Novicky to prove his case that he has title.

In short, judicial economy as well as reason compel the application of abstention here to avoid a federal judicial decision giving a preclusive effect to a judgment which Illinois courts have held cannot stand.

CONCLUSION

No case warrants this Court's attention more than this one. Petitioner prays, most

respectfully, that the writ of certiorari be issued.

Respectfully submitted,

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84-1089

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UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

SYNTEX OPHTHALMICS, INC., et al.,	)	
Appellees,	)	
v.	)	Appeal No. 84-838*
NICK N. NOVICKY, et al.,	)	
Appellants.	)	
GEORGE F. TSUETAKI, et al.,	)	
Appellees,	)	
v.	)	Appeal No. 84-857*
NICK N. NOVICKY, et al.,	)	
Appellants.	)	

DECIDED: October 3, 1984

Before DAVIS, Circuit Judge, NICHOLS, Senior Circuit Judge, and BALDWIN, Circuit Judge.

DAVIS, Circuit Judge.

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*For some reason, two seperate appeals (identical in content) were noted by appellant; we treat the two appeals as, in reality, one appeal. Tsuetaki, et al., did not participate in this appeal.

Appellant Novicky seeks review of four related decisions of the United States District Court for the Northern District of Illinois: (1) a grant of summary judgment for appellee Syntex, deciding that Syntex has title to all of the patents and patent applications naming Novicky as inventor;[1/] (2) a decision holding that Novicky misappropriated Syntex's trade secrets; [2/] (3) a final injunction, enjoining Novicky for a twenty-year period from using or disclosing Syntex's trade secrets;[3/] and (4) a denial of Novicky's

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[1/] Syntex Ophthalmics, Inc. v. Novicky, No. 80 C 6257 (N.D. Ill. June 13, 1983).

[2/] Syntex Ophthalmics, Inc. v. Novicky, No. 80 C 6257 (N.D. Ill. Dec. 12, 1983).

[3/] Syntex Ophthalmics, Inc. v. Novicky, 80 C 6257 (N.D. Ill. Feb. 9, 1984).

motion to remand the proceedings back to state court.[4/]

We affirm the grant of summary judgment on the patent issue as to six of the eight patents and applications covered by that decision and remand to the District Court the question of Syntex's title as to the other two patents. On the issue of trade secret misappropriation, we affirm the District Court's holding that Novicky misappropriated Syntex's trade secrets, but reverse the court's twenty-year injunction and remand for reasons explained infra. Finally, we affirm the District Court's denial of Novicky's motion to remand the state action back to state court.

[4/] Tsuetaki v. Novicky, No. 81 C 4050 (N.D. Ill. Feb. 13, 1984).

Novicky does not seem to be appealing from the District Court's denial (in June 1983) of Novicky's motion to file a new counterclaim alleging illegal dumping in count one and attacking the validity of the Gaylord patents in count two. Consequently, we do not address those issues directly, although the parties touch upon them in their briefs.

I

Background

A. The Polycon project and Novicky's employment: The roots of this complex litigation[5/] go back to 1977. Early in that year, the appellees, Syntex Ophthalmics, Inc. and Arapahoe Chemicals, Inc. (collectively referred to as "Syntex")[6/] embarked on a joint venture for research and commercial development of a contact lens material from which rigid gas-

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5/ Counsel greatly added to the complexity of this case by failing to provide an adequate index for their seventeen-volume appendix. In particular, counsel's haphazard indexing of the opinions of the various courts that have heard aspects of the case made this court's work considerably more difficult.

6/ Syntex Ophthalmics, Inc. and Arapahoe Chemicals, Inc. are sister subsidiaries of Syntex (U.S.A.), Inc. Since the initiation of this litigation Arapahoe Chemicals has changed its name to Syntex Chemicals.

permeable contact lenses could be made.[7/] They called their venture the "Polycon project". Appellant Novicky, who had been employed by Arapahoe since 1973, was selected to be a chemist on the Polycon project. This litigation arises out of that employment relationship.

When first employed by Arapahoe in 1973, Novicky signed a standard Syntex employment agreement, promising confidentiality and assigning to Syntex all ideas and inventions conceived or developed by him while at Syntex. The agreement provided, in pertinent part:

> 3. Disclosure of Information and Assignment and Ownership of Ideas. The Employee agrees to fully disclose, deliver, transfer and assign to Employer, his

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[7/] Prior to the development of rigid, gas-permeable lenses, contact lens wearers often wore "hard" contact lenses. These lenses blocked the transmission of oxygen to the wearer's cornea, a condition which can lead to corneal swelling. Gas permeable lenses allow oxygen to reach the cornea and, for that reason, can be worn for longer periods of time than "hard" lenses.

entire right, title and interest in and to any and all ideas, methods, inventions, devices and improvements, whether patentable or not, originating with, conceived, acquired or developed by Employee, either solely or jointly with others during any times, whether during working hours or not, when the Employee is employed by Employer, if the same be reasonably related to Employer's actual operations. All such ideas, methods, inventions, devices, and improvements are hereafter jointly and severally referred to as "ideas".

The parties hereto agree that for purposes of Paragraphs (3) and (4) herein, the Employee shall be deemed as Employee of the Company twenty-four (24) hours a day for every day during the year notwithstanding any leaves of absence, vacations, or other leave.

4. Secrecy: The Employee recognizes and acknowledges that various secrets and/or facts as defined below, are valuable, special and unique assets of the Employer's business. The Employee agrees that during the term of his employment he will use the aforementioned various secrets and/or facts only in connection with his employment with Employer, and that during and after the term of his employment he will not use or disclose any of the various aforementioned secrets and/or facts

> either on his own behalf or the behalf of any other person or entity.
>
> The phrase "secrets and/or facts" as used herein shall include, in addition to its usual meaning, any processes, ideas and other information pertaining to research, development, production, and other business or activities of Employer (and/or Employer's customers), and Employer's list of customers.

At least in its initial phases, the Polycon project was based on two U.S. patents (the Gaylord patents) and some preliminary manufacturing batch sheets[8/] which Syntex had purchased as part of its acquisition of Polymer Optics Corporation. The patents disclose processes for synthesizing certain silicone monomers and using them to create an oxygen-permeable plastic lens material. Novicky's role in the project was to develop processes

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8/ The District Court described a batch sheet as: "a cross between a recipe from a cookbook and a laboratory notebook. The batch sheet contains instructions about how to carry out a procedure or reaction with spaces for the chemist to enter data about reaction conditions and results."

for the commercial development of this contact lens material which would optimize a combination of properties such as high oxygen permeability, wettability, rigidity, and transparency.[9/] The procedures Novicky and others followed in the preparation of the Polycon material and its component ingredients were recorded on "Arapahoe batch sheets" which were used as a basis for further refining the Polycon process. Novicky was also involved in developing or revising analytical procedures to determine if the raw, intermediate, and finished materials would satisfy the Food and Drug Administration's (FDA's) requirements. The details of the relevant specifications

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[9/] Contact lenses are made by reacting certain chemical compounds (monomers) into plastics (copolymers) by a process called polymerization. The plastic lens material is then formed in the shape of rods which are subsequently sliced into discs (buttons) which are then ground into lenses. Novicky's job was to optimize processes and procedures for making the polymer rods.

and analytical methods were recorded on Specification and Analytical Method sheets and incorporated in an FDA master file.

In addition to his regular duties, Novicky experimented with alternative silicone monomers, trying to improve the permeability of the lens material to be used in manufacturing the contact lenses. Syntex had already designated a specific silicone monomer (T-2) to be used in the Polycon material for which it was seeking FDA approval.

In December, 1977, Novicky prepared, signed, and had two Syntex empolyees witness a patent disclosure dealing with certain of the alternative silicone monomers he had developed. Those monomers and the processes related to them were apparently the basis for two patents Novicky obtained in 1980 and 1981, U.S. Patent Nos. 4,242,483 and 4,248,989 (the "'483 and '989 patents", or the so-called "private patents").

On May 12, 1978, Novicky's employment with Syntex was terminated. Four days later, on May 16, 1978, Novicky prepared a second patent disclosure statement regarding other monomers he claimed to have discovered for use in making gas-permeable lens materials (one of which was later designated the S-9 monomer and patented under U.S. Patent No. 4,216,303 (the "'303 patent")). According to Novicky, the discovery contained in the May 16th disclosure had been prompted by his "review" of a 1961 German article on silicone chemistry subsequent to leaving Syntex.

In August 1978, Novicky began negotiating with Tsuetaki, a Chicago optometrist and the president and sole owner of a small optical company (Fused Kontacts of Chicago, Inc.)[10/] for the sale of the technology em-

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10/ Tsuetaki and his company, Fused Kontacts of Chicago, Inc., are collectively referred to as Tsuetaki.

bodied in the May 16th patent disclosure. Tsuetaki and Novicky agreed that Tsuetaki would hire Novicky as a chemist to develop a commercial operation for the manufacture of the new lens material. Novicky signed an employment agreement, promising, inter alia, to assign to Tsuetaki all patentable and unpatentable inventions, developments, or improvements he produced, within or without the scope of his employment, for the life of the agreement (August 31, 1978 - August 31, 1982) plus six months. Novicky resigned his job with Tsuetaki in May 1980.

B. The state and federal litigation: In July 1980, Tsuetaki sued Novicky in the Cook County Circuit Court (an Illinois trial court) for breach of his employment contract. After a sixteen-day bench trial, the state court issued its decision in January 1981. Tsuetaki v. Novicky, No. 80 CH 4724 (Ill. Cir. Ct. Jan. 13, 1981). It held, inter alia,

that the employment agreement was binding and ordered Novicky to assign to Tsuetaki "any and all interest" he had in the patents he had obtained and the patent applications he had filed pertaining to contact lens technology. The state court also enjoined Novicky from "disclosing to any person or entity the contents . . . of any laboratory books and records dealing with the experiments, research, progress, and development of the technology involved in the manufacture of contact lenses . . . " and from "disseminating matters confidential to George Tsuetaki and/or Fused Kontacts of Chicago, Inc."

While the state proceedings were pending, Syntex filed this suit (in November 1980) in the federal District Court below, against Tsuetaki and Novicky for misappropriation of trade secrets. Later, Syntex amended its complaint to add an additional count claiming title to certain patents and patent applica-

tions naming Novicky as inventor, and seeking relief for patent infringement. The court's jurisdiction was invoked under 28 U.S.C. § 1332 and 28 U.S.C. § 1338. In May 1981, the court severed Syntex's patent infringement claims, pending resolution of the patent title and the trade secret questions.[11/]

One consequence of the federal proceedings was that Tsuetaki initiated contempt proceedings (in February 1981) aainst Novicky and Syntex in state court. Tsuetaki claimed that Novicky had disobeyed the court's January 1981 order against "disseminating matters confidential to George Tsuetaki" by improperly conferring with Syntex's attorney about patent rights, disclosures, and other matters in the context of the federal court litigation.

11/ Before the trial on Syntex's trade secret claim, Syntex, pursuant to an agreement with Novicky, filed a Stipulation of Dismissal, dismissing without prejudice its patent infringement claims.

Both Syntex and Novicky opposed Tsuetaki's petition in the state court. Syntex also cross-petitioned for a stay of certain paragraphs of that court's January 1981 order until the federal District Court (in the present litigation) decided the respective rights of the three parties in the property the state court had held Tsuetaki owned.

Subsequently Tsuetaki requested permission from the state court to add Syntex as a defendant in a supplemental complaint. That court granted Tsuetaki's motion on July 10, 1981, saying that Syntex, by filing its cross-petition and responding to Tsuetaki's petition, had made a general appearance, thereby submitting itself to the jurisdiction of the state court. Tsuetaki added a fifth count to its original complaint, seeking declaratory relief as to both Syntex and Novicky. In essence, Tsuetaki sought a declaration that the property which it had purchased from Novicky no longer belonged to

either Syntex or Novicky.

On July 14, 1981 Novicky filed a notice of appeal seeking review of both the trial court's original judgment and its order of July 10th which had denied Novicky's prayer for post-trial relief. Three days later, Syntex filed a petition in the District Court to remove the "action . . . pending in the Circuit Court [the state trial court]" to federal court. That petition as granted by the District Court in September 1981. In March 1982, the District Court denied Tsuetaki's motion for remand.

In the meantime, Novicky filed with the state trial court (in September 1981) a petition under a special provision of Illinois law, asking that the judgment of the trial court be vacated on the basis of newly discovered evidence arising from the federal proceedings. The state trial court dismissed that petition. Novicky's appeal from that decision was con-

solidated in the state system with his earlier appeal, supra.

The Illinos appellate court agreed with Novicky that the evidence given by Tsuetaki in the federal case (1) directly contradicted testimony relied upon by the state trial court in its resolution of the case and that (2) it established that Syntex was an indispensable party that should be joined in the state court action. It also held that the trial court had abused its discretion in dismissing Novicky's post-trial petition, vacated the trial court's judgment, and remanded the case for a new trial, directing that Syntex be joined.

On December 28, 1983, Tsuetaki filed a petition for rehearing, asking the Illinois appellate court to vacate its decision and dismiss Novicky's appeal on the theory that Syntex's petition for removal to federal court, filed in July 1981, had divested the appellate

court of jurisdiction. That petition for rehearing is still pending.

The litigation in federal District Court had continued throughout these post-trial events in state court. On May 6, 1982, the District Court granted Syntex a preliminary injunction (Syntex Ophthalmics, Inc. v. Novicky, 214 USPQ 272 (N.D. Ill. 1982), which was affirmed by the Seventh Circuit. Syntex Ophthalmics, Inc. v. Tsuetaki, 701 F.2d 677, 219 USPQ 962 (7th Cir. 1983). The preliminary injunction enjoined Novicky and Tsuetaki from using the monomers and the processes in dispute.

Later, In October 1982, Novicky filed an amended answer and counterclaim against Syntex. The counterclaim charged Syntex with fraud, misrepresentation, and unjust enrichment for breaching its alleged agreement with Novicky to waive all interest in Novicky's December 1977 inventions (the '483 and '989 "private patents"). The District Court dismissed

Novicky's counterclaim in November 1982, saying that Novicky was collaterally estopped by the state court's judgment (ordering Novicky to assign the '483 and '989 patents to Tsuetaki) from claiming unjust enrichment (on the basis of those patents) against Syntex.

In March 1983, before Syntex's case against Novicky and Tsuetaki went to trial, Syntex and Tsuetaki settled the controversy between them. Pursuant to that settlement, Syntex dropped its claims against Tsuetaki,[12/] and Tsuetaki assigned to Syntex "all of . . . [its] rights in the Novicky patents and patent applications relating to the . . . [federal District Court action] and the State Court action between Tsuetaki/Fused [Kontacts] and Nick Novicky . . . ." On the basis of that assignment, combined with the "collateral

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12/ As indicated in note *, supra, Tsuetaki has not participated at all in the current appeal.

estoppel effect of the state trial court judgment," the District Court granted summary judgment on the patent title issue for Syntex. The District Court said that Tsuetaki owned all Novicky's patents and patent applications by virtue of the state court judgment; the settlement agreement then transferred Tsuetaki's rights in the patents and applications to Syntex. The District Court concluded, "[w]hatever Tsuetaki formerly owned, Syntex now owns."

In June 1983, the District Court held a bench trial on the trade secret misappropriation issue. Following that trial, the court held that Novicky had misappropriated Syntex's trade secrets and entered a final injunction enjoining Novicky for a twenty-year period from using Syntex's trade secrets.

II

Removal

We consider first the threshold issue of the removal of the state action to federal

court pursuant to 28 U.S.C. § 1441 (the removal statute). We emphasize that, in our view, the only claim the District Court could remove from the state trial court was Count V of Tsuetaki's supplemental complaint, adding Syntex (post-judgment) as a party and seeking a declaratory judgment regarding the respective rights of Syntex, Tsuetaki, and Novicky in the property the state trial court had held belonged to Tsuetaki. The state trial court had already entered a final judgment on the other four counts, and Novicky filed a notice of appeal from that judgment three days before Syntex filed its petition to remove.

Under Illinois law, the jurisdiction of the reviewing court attaches instanter upon the timely filing of a notice of appeal. From then on, the lower court has no jurisdiction to modify its judgment or rule on matters of substance which are the subject of the

appeal.[13/] City of Chicago v. Myers, 227 N.E.2d 760 (Ill. 1967). Montgomery Ward & Co. v. Wetzel, 423 N.E.2d 1170, 1176 (Ill. App. 1981). "[T]he cause is beyond the jurisdiction of the trial court." City of Chicago v. Myers, 227 N.E.2d at 761. Accordingly, at the time Syntex filed its petition to remove the action pending in the state trial court, the only claim still pending in that court was Tsuetaki's post-judgment addition to his complaint, Count V. Because the state trial court no longer had jurisdiction over Tsuetaki's original four

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13/ A trial court may retain jurisdiction after a notice of appeal is filed for the limited purpose of ordering the repayment of attorney's fees and costs because that is a matter not affected by the appeal or dependent upon the outcome of the suit. Chicago Title & Trust Co. v. Czubak, 384 N.E.2d 765 (Ill. App. 1978). The lower court may also have jurisdiction to dismiss, under certain circumstances, the appeal of a party in the interim period between the filing of a notice of appeal and the docketing of the case by the reviewing court. See Rickard v. Pozdal, 334 N.E.2d 288, 291 (Ill. App. 1975). Also, a trial court may amend the record to correct "matters of inadvertence or mistake." Arnold v. Leahy Home Building Co., 420 N.E.2d 699, 707 (Ill. App. 1981).

claims, the federal court, which has only derivative jurisdiction on removal, also had no jurisdiction over those particular claims. See Minnesota v. United States, 305 U.S. 382, 389 (1939).

The District Court's opinion (March 1982) denying Tsuetaki's motion for remand of the action to state court is consistent with this view that only Count V against Syntex to be seperate and independent, and it also noted that the state trial court's decision on Tsuetaki's original four counts was a final judgment and that Novicky had taken an appeal from it. It said (in discussing whether the joinder of Novicky in Count V was "fraudulent"):

> Tsuetaki has suggested . . . that its claim against Novicky represents an actual controversy because Novicky is presently appealing the [state trial court's] ruling. The court does not agree

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14/ Syntex's removal petition, though not absolutely precise, is likewise consistent with this view.

> . . . . [The] ruling [of the state trial court] amounts to an absolute declaration of Tsuetaki's and Novicky's rights with respect to the technology at issue in this case. Under Illinois law, the ruling is res judicata as to any further litigation of that claim between the two notwithstanding the pendency of the appeal [citation omitted].

These comments support the view that only Count V was removed from the state court. If all the claims had been removed, including the four claims already decided, the Distrit Court could not anticipate that the state appellate court would hear Novicky's appeal. Once a case is removed, the state court may proceed no further "unless and until the case is remanded." 28 U.S.C. § 1446(e). Any further proceedings in the state court subsequent to removal are coram non judice and will be vacated. 14 C. Wright, A. Miller & E. Cooper, Federal Practice and Procedure: Jurisdiction § 3737 (1976); see Steamship Co. v. Tugman, 106 U.S. 118, 122 (1882); Kern v. Huidekoper, 103 U.S.

485, 493 (1880). In short, the only conclusion that harmonizes with all the circumstances is that Count V alone was removed. That count was indisputably removable at the time Syntex filed its removal petition (see 28 U.S.C. § 1441(c)) and Tsuetaki's early motion to remand was properly denied.

The District Court consolidated the removed claim with Syntex's original federal suit "for all purposes" in March 1983. Following the trial on Syntex's trade secret claim and the District Court's entry of the resulting order, Novicky filed a motion to remand the state action back to state court. We agree with the District Court that Novicky's motion to remand was filed too late. The section of the removal statute that gives the court the authority to remand, 28 U.S.C. § 1447(c), provides:

> If at any time before final judgment it appears that the case was removed improvidently and without jurisdiction, the district court shall remand the case . . . .

(Emphasis added.) Pursuant to that statute, the District Court could properly consider Novicky's motion to remand only if it were filed before final judgment. Novicky's motion, however, was filed after the court's entry of Syntex's voluntary dismissal of its claims against Tsuetaki and the court's entry of summary judgment on the patent claims. We agree with the District Court that these orders constituted a final judgment on the removed state court action. Novicky's motion to remand was correctly denied.

III

Patent Title

In its settlement agreement with Syntex, Tsuetaki assigned to Syntex "all of [its] ... right, title, and interest in and to United States Patent Nos. 4,216,303, 4,242,483, 4,248,989, 4,303,772, 4,314,068 [a division

of the '303 patent supra,], and 4,365,074 [another division of the '303 patent] 15/ Unites States patent applications Serial Nos. 81,682, filed October 4, 1979, and 103,408, filed December 19, 1979, and any patent(s) maturing therefrom . . . ." These patents and applications (except for the two divisionals of the '303 patent) are the ones which the state trial court ordered Novicky to assign

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15/ U.S. Patent Nos. 4,314,068 and 4,365,074 resulted from "divisional applications" filed by Novicky. A divisional application is defined in Section 201.06 of the Manual of Patent Examining Procedure as:

> A later application for a distinct or independent invention, carved out of a pending application and disclosing and claiming only subject matter disclosed in the earlier parent application .... Both must be by the same applicant.
> . . . .
> While a divisional application may depart from the phraseology used in the parent case there may be no departure therefrom in substance or variation in the disclosure that would amount to "new matter" if introduced by amendment into the parent case .
> . . .

to Tsuetaki in its January 1981 decision:

> (1) Novicky is ordered to forthwith assign any and all interest he may have or claim to have in the following identified patent applications and patents to GEORGE TSUETAKI:
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> 081682
> 072449 [U.S. Patent No. 4,303,772]
> 103408
> 06725 [U.S. Patent No. 4,216,303]
> 66054 [U.S. Patent No. 4,242,483]
> 74427 [U.S. Patent No. 4,248,989]

On the basis of collateral estoppel, the District Court granted summary judgment for Syntex on its title to the patents and applications which Tsuetaki had assigned to it.

Sometime after the District Court's grant of summary judgment, the state appellate court ordered that the state trial court's decision (on which the District Court had relied) should be set aside. However, as we show infra, the appellate court did not disturb the trial court's findings that Tsuetaki was the owner of U.S. Patent Nos. 4,216,303 and 4,303,772 and applications Serial Nos. 81,682

and 103,408. Accordingly, we hold that Novicky is still precluded from raising his claim to the two divisionals of the '303 patent (U.S. Patent Nos. 4,314,068 and 4,365,074). We remand to the District Court the question of Syntex's title to the '483 and '989 patents (the "private patents"), because the appellate court did not accept the trial court's conclusion as to Tsuetaki's rights to those patents.

As already indicated in our discussion of removal in Part II, supra, the Illinois appellate court's jurisdiction over the trial court's decision was unaffected by the removal to District Court of the fifth count of Tsuetaki's complaint which added Syntex (post-judgment) as a party to the state litigation. The trial court's decision (and the trial which preceded it) was based on the original four counts to Tsuetaki's complaint and it was that decision which the Illinois appellate court reviewed.

The only real patent title dispute between Novicky and Tsuetaki in the original state court litigation concerned the two "private patents" --the '483 and '989 patents. With regard to the other four patents and the applications at issue,[16/] the trial court said that Novicky had "conceded that . . . [the four patents and the applications] were duly assigned to GEORGE [Tsuetaki] in accordance with the employment agreement of August, 1978." The state appellate court accepted the trial court's conclusions with regard to those patents and applications. It observed that (1) when Novicky filed his first application, the 6,725 application (for the '303 patent), he had been paid $10,000 and was paid another $10,000 when the patent issued, in accordance with his agreement with Tsuetaki; (2) after the 6,725 application, Novicky filed two more applications,

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16/ Two divisionals of the '303 patent were not explicitly mentioned in the state court opinion.

"which Novicky agrees belong to Tsuetaki" and; (3) that the three additional applications filed, Novicky contends that only two of those three ("which he refers to as 'private patents'") belong to him. These conclusions of the state appellate court, in effect affirming the state trial court on Tsuetaki's title, are entitled to preclusive effect. They meet all the requirements for application of the doctrine of claim preclusion of res judicata.[17/]

[17/] The doctrine of claim preclusion is more appropriate here than the doctrine of issue preclusion or collateral estoppel, cited by the District Court. The doctrine of issue preclusion normally comes into play to bar a party from retrying an issue that was actually litigated in a prior suit and was essential to the final judgment. See Mother's Restaurant, Inc. v. Mama's Pizza, Inc., 723 F.2d 1566, 1569-70 (Fed. Cir. 1983); International Order of Job's Daughters v. Lindeburg & Co., 727 F.2d 1087, 1090. 220 USPQ 1017, 1019 (Fed. Cir. 1984). Here it is the state trial court's final judgment itself and the appellate court's partial affirmance of it that are entitled to preclusive effect.

The fact that a petition for rehearing is pending in the state appellate court does

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Under the doctrine of res judicata, a judgment on the merits in a prior suit bars a second suit involving the same parties or their privies based on the same cause of action. Parklane Hosiery Co. v. Shore, 439 U.S. 332, 326 n.5 (1979). See also 1B Moore's Federal Practice ¶ 0.405[1] (2d ed. 1983). In our case, the state trial court had held that Tsuetaki was the rightful owner of all of the patents and applications covered in the settlement agreement between Tsuetaki and Syntex.[18/]

[17/] (continued)

not prevent that court's judgment from having preclusive effect. See Sixty-Third & Halsted Realty Co. v. Goldblatt Bros., 96 N.E.2d 838, 843 (Ill. App.), aff'd, 102 N.E.2d 749 (Ill. 1951). ("The law is clearly established that a judgment and decree pending on appeal is res judicata.")

[18/] Although the state trial court did not explicitly discuss the two divisionals of the '303 patent, its order that Novicky assign the '303 patent to Tsuetaki necessarily included the two divisionals because they are, by definition, "carved out of" the parent patent. See supra, note 15.

The appellate court affirmed that judgment with regard to those patents and applications except for the "private patents". Novicky is thus barred from raising his claim to those patents and applications against Tsuetaki or against Syntex (which stands in Tsuetaki's place by virtue of the settlement agreement).[19/]

It was title to the other two patents, the '989 and the '483 patents (the "private

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19/ The state appellate court vacated and reversed the state trial court's judgment, remanding for a new trial, but that was based on three grounds now irrelevant, and had no effect on the patent title matters which we have just discussed. The first ground of reversal was that Novicky had stated a prima facie case of fraud against Tsuetaki (with respect to the "private paterts", discussed supra) under the special Illinois post-trial procedure. The second ground was that Syntex was an indispensable party to the state litigation -- a ground not obviously inapplicable to conclusions as to preclusive effect in Syntex's favor. The third ground was that the state court injunction against Novicky was too long, too broad, and too general. That too, is irrelevant to the present issue of patent title.

patents"), which was in true dispute in the state court litigation. Novicky's claim was that these patents were not covered by his employment agreement with Tsuetaki because Tsuetaki signed a statement in January 1980, in which he waived all rights to them under the employment agreement. The trial court said that Tsuetaki's waiver was ineffective because it was coerced, but the appellate court remanded on the precise issue, because of Tsuetaki's apparently contrary evidence in the federal litigation. See Part I, B, supra.

Syntex asks that this court affirm the District Court's grant of summary judgment on Syntex's title to these two patents despite the state appellate court's order for remand. This request is based on alleged "independent documentary proof of Syntex's title." Syntex points out that Novicky admitted that he invented the subject matter of these patents while

working for Syntex[20/] and it was the subject of his December 15, 1977 patent disclosure witnessed by two Syntex employees. However, Novicky has alleged in a counterclaim for fraud and unjust enrichment dismissed by the District Court (on grounds of collateral estoppel) that Syntex waived any ownership rights it might have in these patents. According to Novicky, Courtland Spicer, a Syntex vice president, told him that "Arapahoe [Syntex] had no interest in the subject matter of Novicky's 1977 inventions and that Novicky was free to develop such inventions in his own name and as his own

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20/ We are aware that Novicky admitted this fact as a pro se litigant, but attach no significance to that because what he admitted is a simple statement of fact, within Novicky's knowledge, and calling for no legal conclusion. We are more willing to discount Novicky's admissions that the patents "belong" to Syntex or that Syntex has "rights" in them because those admissions are legal conclusions and because Novicky withdrew those concessions after he hired counsel.

property." This explicit but unexamined allegation of a significant statement by a Syntex agent (admissible under Federal Rules of Evidence 801(d)(2)(D) warrants further inquiry, and we therefore return this matter to the District Court for trial or further proceedings.

IV

Misappropriation of Trade Secrets

The District Court found that Syntex met its burden on each of the four factors necessary to prove misappropriation of trade secrets under Illinois law (the applicable state law in this case).[21/] According to the

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[21/] A federal District Court must apply the conflict of law rules of the state in which it sits. Klaxon Co. v. Stentor Electric Mfg. Co., 313 U.S. 487 (1941). The applicable Illinois rule is that in an action based upon alleged misappropriation of proprietary information or trade secrets, the law of the place where the alleged wrong was committed or the benefit was obtained by the defendant should govern. Smith v. Dravo Corp., 203 F.2d 369, 373, 97 USPQ 98, 101 (7th Cir. 1953). Here, Illinois law is applicable because the alleged wrong took place at Tsuetaki's place of business in Illinois.

District Court, Syntex established (1) that it had legally cognizable trade secrets, (2) that Novicky obtained the trade secrets within a confidential relationship with Syntex, (3) that Novicky disclosed the secrets in breach of the confidential relationship, and (4) that Novicky profited from the disclosure.[22/] See Schulenburg v. Signatrol, Inc., 200 N.E.2d 615 (Ill. App. 1964), aff'd in part and rev'd in part, 212 N.E.2d 865 (Ill. 1965), cert. denied, 383 U.S. 959 (1966). On the record before us, we cannot say that these findings were clearly erroneous. See Rosemount, Inc. v. Beckman Instruments, Inc., 727 F.2d 1540, 1544 n.4, 221 USPQ 1, 5 n.4 (Fed. Cir. 1984); Raytheon Co. v. Roper Corp., 724 F.2d 951, 956, 220 USPQ 592, 596 (Fed. Cir. 1983).

A. Existence of trade secrets: Illinois

22/ The parties agreed before trial that Syntex did not have to introduce evidence to prove this fourth element.

courts define a trade secret as "a secret plan or process, tool, mechanism or compound known only to its owner and those of his employees to whom it is necessary to confide it." Schulenburg v. Signatrol, Inc., 212 N.E.2d at 868 (emphasis omitted); Bimba Mfg. Co. v. Starz Cylinder Co., 256 N.E.2d 357, 363 (Ill. App. 1969); Colony Corp. of America v. Crown Glass Corp., 430 N.E.2d 225, 227 (Ill. App. 1981). The set of processes and ingredients used in the manufacture of Polycon, as disclosed in the batch sheets and the FDA file, fit this definition. First, by its terms, the definition provides that a process can be a trade secret. See also Imperial Chemical Industries, Ltd. v. National Distillers & Chemical Corp., 342 F.2d 737, 742-43, 144 USPQ 695, 698-99 (2d Cir. 1965) (trade secret in process for constructing an autoclave reactor); Ferroline Corp. v. General Aniline &

Film Corp., 207 F.2d 912, 921, 99 USPQ 240, 246 (7th Cir. 1953), cert. denied, 347 U.S. 953 (1954) (trade secret in process for production of iron pentacarbonyl). Second, it is clear that Syntex made great efforts to keep its Polycon process secret. The District Court found:

> [Syntex] . . . restricted access to [its] . . . Research and Development Department to only those employees and consultants . . . who had signed secrecy agreements. Laboratory notebooks and batch records were under lock and key. Only those who needed information in confidential reports received them. The building housing the POLYCON laboratory remained locked after business hours. Visitors had to register and employees accompanied them during their visit. While orienting new employees, [Syntex's] . . . personnel department specifically reviewed . . . paragraphs three and four of the employment agreement which established the duty not to disclose confidential information [see Novicky's employment agreement with Syntex, supra, Part I]. At orientation, employees also learned that everything they did or learned was secret and subject to that duty. Dr.

> Courtland Spicer, a supervisor on the project, told his employees that the information in the batch sheets was valuable and confidential. Syntex never published the batch sheets or the analytical methods [contained in the FDA master file].

We agree with the District Court that manufacturing process details which are given such confidential treatment are entitled to protection as trade secrets. See Affiliated Hospital Products, Inc. v. Baldwin, 373 N.E.2d 1000, 1002, 1006, 202 USPQ 220, 221-22, 225 (Ill. App. 1978).

Novicky argues, nonetheless, that the Polycon process is not a trade secret. He asserts that the "batch sheets . . . are nothing more than a compilation of reactions, each of which is well-known to the art and documented in the literature." Novicky fails to acknowledge that it is the very "compilation of reactions" --along with information about the ingredients and procedures used in them --that is the trade secret. Even if Novicky were correct in his assertion that all the reactions used

in the Polycon process were individually well-known in the art, that would not preclude the existence of a trade secret in compilation of processes:

> [A] trade secret can exist in a combination of characteristics and components, each of which, by itself, is in the public domain, but the unified process, design and operation of which, in unique combination, affords a competitive advantage and is a protectable secret.

Imperial Chemical Industries, 342 F.2d at 742 (citations omitted). See also Ferroline Corp., 207 F.2d at 921 ("process as a whole . . . differ[ed] materially from any methods taught in the prior art") (emphasis added). As the District Court said: "the value of the secret to Syntex lay in the accumulation and integration of the various basic steps into a commercially feasible product" (emphasis added). Novicky admitted at the trial before the District Court that no single public domain document sets forth all the details contained in

Syntex's batch sheets or FDA master file.

B. Novicky's Access to the Trade Secrets: Novicky admitted at trial that he had access to any documents he wanted relating to the Polycon project. This would include the batch sheets, much of which he developed himself, and the FDA master file. The employment agreement he signed with its non-disclosure and assignment clauses (see supra, Part I) demonstrates that he received the trade secrets in the context of a confidential relationship.

C. Novicky's Disclosure of the Trade Secrets: The District Court cited the testimony of Dr. McGrath (Syntex's expert) who stated that the crucial portions of the Tsuetaki and Syntex batch sheets were identical and of Mr. Merker (Novicky's expert) who said (confused as to which set of batch sheets he was holding) that the material "both look[ed]

alike" to him. The court also noted that Dr. McGrath had pointed out errors which appeared in both the Arapahoe and Tsuetaki batch sheets which he labelled "fingerprint errors" because they were mistakes that a chemist was unlikely to repeat, unless he was copying directly from a document. McGrath likewise testified that the specifications and analytical methods contained in the FDA master file Novicky prepared for Tsuetaki were "very very similar" to and contained "an awful lot of very nearly identical materials" to those in the Syntex FDA master file. He said: "[T]he chemical procedures, the data sheets, even some of the log sheets are almost identical. There is no

difference between several of these. Even the typing is the same." Given this evidence of the similarities between the two sets of process sheets, we cannot find that the District Court's conclusion, that Novicky copied Syntex's process sheets and used its trade secrets at Tsuetaki's plant, is clearly erroneous.

V

The Remedy

The District Court's final injunction provided in its most significant part:

> Novicky and [his agents] are ... enjoined for twenty (20) years from May 12, 1978 [the day Novicky resigned from Syntex], or until May 12, 1998, from using or disclosing information found in the Arapahoe [Syntex] batch sheets and the FDA Master File, and not found in public domain documents, for manufacture of silicone-containing, rigid, gaspermeable contact lens material . . . .

Novicky challenges both the scope and duration of the injunction. Under Illinois law, an injunction in a trade secret case must be limited to the approximate length of time necessary for the defendant to duplicate the trade secret by lawful means. Brunswick Corp. v. Outboard Marine Corp., 404 N.E.2d 205, 207 USPQ 1039 (Ill. 1980); Schulenburg v. Signatrol, Inc., 212 N.E.2d at 869-70.[23/]

On this issue, there were three separate pieces of evidence before the District Court. Novicky's expert, Mr. Merker, testified as follows (on cross-examination) on the question

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[23/] Many other jurisdictions have used this "independent development test." See, e.g., K-2 Ski Co. v. Head Ski Co., 506 F.2d 471, 474, 183 USPQ 724, 726 (9th Cir. 1974); Anaconda Co. v. Metric Tool & Die Co., 485 F. Supp. 410, 431, 205 USPQ 723, 741 (E.D. Pa. 1980); Sperry Rand Corp., v. Electronic Concepts, Inc., 325 F. Supp. 1209, 1219 (E.D. Va. 1970), vacated and remanded on other grounds, 447 F.2d 1387 (4th Cir. 1971), cert. denied, 405 U.S. 1017 (1972). See also 12 R. Milgrim, Trade Secrets § 7.08[1] n.12 (1983).

of the time necessary for independent development:

> SYNTEX ATTORNEY (MR. GOULD): Do you have any opinion how long it would take someone starting with the Gaylord patent and the other public documents you talked about to come up with those procedures for an optimized process?
> MR. MERKER: To the final product?
>
> MR GOULD: The final product optimized process, all those specifications and all those analytic methods.
>
> * * *
>
> MR. MERKER: From start to finish, if you lump everything together, the last step takes the longest. I would estimate maybe a year.[24/]

Dr. McGrath's (Syntex's expert's) corresponding testimony (on direct examination) went as follows:

24/ Mr. Gould's follow-up question makes it clear that Merker was testifying with regard to the length of time it would take to develop procedures for an optimized commercial (rather than a laboratory) process. He asked Mr. Merker, "But you have never actually done a scale-up yourself to a commercial process, have you?"

> MR. GOULD: Those time intervals that you set [much less than a year], were those for making a laboratory scale or were they for making an industrial-commercial scale usable for contact lenses as set forth in the batch sheets?
> DR. McGRATH: I was thinking about he laboratory scale to make a sample or two.
>
> MR. GOULD: How long would it take to develop for you, if you were given nothing but the Gaylord patent, to develop the specification, annalytic techniques, and the batch sheets, given just the Gaylord patent?
>
> DR. McGRATH: It would take an enormously longer period of time, certainly months, maybe years.

The District Court discounted both Merker's and McGrath's testimony[25/] and relied almost entirely on the testimony of Dr. Capozza, President of Syntex Ophthalmics, that "in excess of 20 man-years and in excess of one million dollars was spent in developing the

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25/ The court was wrong in finding that the two experts' testimony related "to the mere laboratory production of a polymer." As shown supra, this testimony went much further.

process." The choice of a 20-year period for the final injunction was squarely rested on this evidence. We think that this was clear error and an abuse of discretion. The fact that Syntex may have spent 20 man-years (involving quite a number of people) and a million dollars on the development process does not mean that Novicky would take 20 years to recreate independently the trade secrets. Dr. Capozza himself testified that the actual elapsed time was some "two years of effort . . . from the early '77 period to the point at which the product was introduced into the market in May of '79" (emphasis added). Particularly in view of this limited actual timespan, there are several defects in measuring the duration of the injunction by the number of man-years Syntex's employees spent during that two years. For one thing, Syntex may well not have needed all those man-hours merely to develop the particular trade secrets (mainly

the batch sheets and FDA file) that Novicky misappropriated; there is good reason to believe that Dr. Capozza's estimate included much else leading to the commercialization of the product.[26/] Then, too, Syntex may have expended far more effort than actually necessary even to produce the particular trade secrets; it is not unknown for people to be more careful and thorough than actually necessary. Moreover, it seems strange to enjoin appellant for 20 years (until May 12, 1998) because Syntex expended 20 man-years (using several people) in an actual two-year span, and at the same time to enjoin appellant (as the final injunction appears to do) from utilizing any agents, servants, or employees or any other person in concert with him. In other

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26/ Dr. Capozza agreed that his estimate includes things involved "directly or indirectly" in the whole process development. Of course, the time spent on Syntex's efforts aside from the development of the purloined trade secrets must be excluded.

words, appellant is enjoined from acting either alone or with others for 20 years, on the basis of Syntex's use of others (during an actual two-year period) to the extent of 20 man-years. Even if Novicky were willing and able to extend, along with others, the same two years and the 20 man-years of effort to develop independently the matters which he misappropriated, he would apparently still be barred until 1998.

An injunction was plainly warranted but our conclusion, on this record, is that it was clear error and an ause of discretion to extend the injunction for 20 years until 1998. This error is important because extending the injunction beyond the time Novicky could independently have developed the Polycon procedures would give to Syntex "a windfall protection and would subvert the public interest in fostering competition and in allowing employees to make full use of their knowledge

and ability." Brunswick Corp. v. Outboard Marine Corp., 404 N.E.2d at 207.[27/]

The issue then becomes whether we should simply remand to the District Court to exercise its judgment properly, or whether we can set durational limits. We believe that, on the whole record, the maximum duration this record will permit is eight years from May 1978 (when Novicky left Syntex's employ) or four years from the date of the District Court's preliminary injunction (May 1982).[28/]

Since somewhat less than two years remain of the maximum span of the injunction the District Court can enter, we proceed to

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27/ An employee can always take with him, at the termination of his employment, the general skills and knowledge gained while working for an employer. Schulenburg v. Signatrol, Inc., 212 N.E.2d at 869.

28/ Novicky was placed under the similar state court injunction in January 1981.

discuss Novicky's further claim that the injunction is too broad in scope. First, the injunction should be modified, to the necessary extent (if any), to accord with the court's determination (on remand) of the ownership of the "private patents". Second, the very general term "not found in public domain documents" need clarification and specification. Third, because the misappropriated trade secrets consist of a compilation of reactions (see Part IV, supra) not of the individual reactions singly, the second and last paragraphs of the injunction should be modified to assure that appellant will not be in contempt merely through use of already known individual reactions or ingredients.

VI

Conclusion

We affirm the District Court's grant of summary judgment for Syntex on its title to the patents and applications covered by the

settlement agreement with Tsuetaki, except for the '483 and '989 patents. We remand to the District Court the question of Syntex's title to the latter patents and reverse the court's dismissal of Novicky's counterclaim for fraud and unjust enrichment regarding them. We affirm the District Court's judgment that Novicky misappropriated Syntex's trade secrets, but reverse the final injunction and remand for further consideration of the duration and terms of the injunction in accordance with this opinion. We affirm the denial of Novicky's motion to remand the state action back to the state court.

Affirmed in part, Modified in part, Reversed in part, and Remanded.

THIRD DIVISION
DECEMBER 7, 1983

81-1727/
81-2857

GEORGE F. TSUETAKI and FUSED KONTACTS OF CHICAGO, INC., an Illinois corporation,	)	APPEAL FROM THE CIRCUIT COURT OF COOK COUNTY.
Plaintiffs-Appellees,	)	HONORABLE REGINALD J. HOLZER, JUDGE PRESIDING.
vs.	)	
NICK N. NOVICKY,	)	
Defendant-Appellant.	)	

JUSTICE McGILLICUDDY delivered the opinion of the court:

Following a bench trial, defendant, Nick Novicky (Novicky), was found to have breached his employment contract with plaintiffs, George F. Tsuetaki and Fused Kontacts of Chicago, Inc. (Tsuetaki). The trial court also found that modifications of the contract

were void for duress, fraud and lack of consideration. An order was entered granting the injunctive relief sought by Tsuetaki, and ordering Novicky to return sums of money received pursuant to the contract modifications.

On appeal Novicky asserts (1) the injunction is overly broad, permanently precluding him from disseminating any and all information relating to the manufacturing of gas permeable contact lenses, thus effectively precluding him from pursuing his career; (2) the modifications of his employment contract were valid and not obtained by duress or fraud; (3) the order of the circuit court is void for failure to join an indispensable party to the litigation; and (4) the circuit court erred in dismissing Novicky's petition for rehearing based on section 72 of the Civil Practice Act (Ill. Rev. Stat. 1979, ch. 110, par. 72), now codified as section 2-1401 of

the Code of Civil Procedure (Ill. Rev. Stat. 1981, ch. 110, par. 2-1401).

At trial, Tsuetaki testified that he was a doctor of optometry doing business as Fused Kontacts, Inc. The corporation makes contact lenses for sale to doctors, labs and patients. In August 1978, Novicky, a chemist, stated to Tsuetaki that he had developed a new composition for gas permeable contact lenses that he wanted to sell to him. Tsuetaki signed a security agreement, providing that he would not analyze materials received from Novicky at that time, but that, if a business arrangement were reached, all technology would become the property of Tsuetaki.

Subsequently, Tsuetaki and Novicky met with Tsuetaki's patent attorney regarding the new composition for gas permeable contact lenses. Although Novicky had previously been employed as a chemist by Syntex Opthalmics, Inc., and/or Arapahoe Chemicals, Inc., (col-

lectively Syntex), a manufacturer of gas permeable contact lenses, Novicky maintained that he had developed the material offered to Tsuetaki after leaving Syntex and while working on his master degree at the University of Denver. Novicky represented that his invention did not infringe any patent owned by Syntex.

Tsuetaki and Novicky entered into an employment agreement for the period from September 1, 1978 to August 31, 1982, providing that Novicky would be employed to develop material and techniques useful for the production of contact lenses and related items. He was to be paid an annual salary of $22,500 adjusted annually to reflect increases in the cost of living and a discretionary bonus. In addition, in exchange for a present assignment of all rights to any inventions previously made by Novicky, he was to receive (1) $10,000 for each patent application covering developments made by Novicky for use in making contact

lenses and related items, approved by Tsuetaki and filed in the United States Patent Office; and (2) an additional $10,000 when and if a United States patent was issued on the application.

In return, Novicky assigned all inventions, developments and improvements to be made in the future to Tsuetaki during his life of the agreement plus six months thereafter. Novicky also agreed to keep the subject of his work "confidential" as long as such information had value to Tsuetaki or was still confidential.

The employment contract was signed on August 31, 1978, and Novicky began work in a laboratory provided by Tsuetaki. Novicky made rods of material from which his employer cut discs to make contact lenses. Tsuetaki tested the lenses by wearing them himself. He would then suggest to Novicky changes that might be made to improve the lenses. Eventually

they developed a material which they called "GN-1," and patent application serial number 6752 was filed in Novicky's name covering the GN-1 material. Pursuant to the agreement, Novicky was paid $10,000 at filing and $10,000 when the patent was officially allowed.

After the 6752 application was filed, Novicky filed two more applications for other inventions of which Tsuetaki was advised and which Novicky agrees belong to Tsuetaki. Novicky also filed three additional patent applications for other inventions, two of which he refers to as "private patents". Novicky testified that Tsuetaki was uninterested in these two patents and freely signed a statement in January 1980, waiving all rights to them. Tsuetaki, however, testified that he signed the waiver under duress and fraud and without consideration. The alleged duress was a backlog of orders which could only be filled by the production of the rods by Novicky.

The alleged fraud was Novicky's assurance that the two private patents were inferior to, and thus not competitive with, those assigned to Tsuetaki. However, following expert testimony, the trial court found that the private patents were competitive with GN-1. The court also found that Tsuetaki had signed the waiver under duress since the alternative was a complete shutdown of operations because of the stoppage of the production of the rods by Novicky.

The employment contract was further modified in May 1980, when Tsuetaki agreed to pay Novicky a royalty of $1.00 per rod for all GN-1 material produced. Tsuetaki testified that this agreement, too, was the product of duress. Novicky had started a production slowdown. Tsuetaki allegedly had a backlog of orders for 42,000 GN-1 blanks or 1900 rods and no personnel other than Novicky to produce them. At approximately the same time Novicky also requested and received from Tsuetaki an

additional $3,000 for preparation of a United States Food and Drug Administration file seeking approval of the GN-1 material. Again, Tsuetaki testified that he acted under duress. In June 1980, Novicky tendered his resignation to Tsuetaki.

The trial court found that Novicky had violated his employment agreement and on January 13, 1981, entered judgment for Tsuetaki, ordering Novicky to repay the $3,000. The judgment order also included an injunction which provided:

> "(4) NICK N. NOVICKY is hereby enjoined from disclosing to any person or entity the contents in whole or in part of any laboratory books and records dealing with the experiments, research, progress and development of the technology involved in the manufacture of contact lenses, including, but not limited to, those which could, would or did lead to the filing of letters patent. NICK N. NOVICKY is also enjoined from otherwise disseminating matters confidential to GEORGE TSUETAKI and/or FUSED KONTACTS OF CHICAGO".

On October 24, 1980, Syntex had requested permission to monitor the circuit court proceedings. Tsuetaki and Novicky objected. The trial court denied the request. On November 19, 1980, Syntex filed suit against Tsuetaki and Novicky in the United States District Court for the Northern District of Illinois alleging that Tsuetaki had wrongfully obtained Syntex's trade secrets from Novicky.

On February 18, 1981, Novicky filed a post-trial motion seeking modification of the judgment of January 13, 1981. Novicky contended that the injunction in paragraph (4) was overly broad, and that it was anomalous since Novicky was not precluded from manufacturing contact lenses using confidential information and processes belonging to Tsuetaki, as long as that information or process was not disclosed to any other person or entity.

Tsuetaki filed a petition for Rule to Show Cause on February 11, 1981, contending

that Novicky had improperly conferred with an attorney for Syntex, regarding the case in Federal court in which Novicky was appearing pro se. In response to the petition for Rule to Show Cause and in support of its own cross-petition for a stay of the injunction entered by the circuit court on January 13, 1981, Syntex submitted a memorandum stating that Novicky had agreed not to disclose or use contact lens-related trade secrets learned during the five years he had worked for Syntex. While Novicky worked for Syntex he had allegedly developed methods of making contact lenses, generating a Patent Disclosure executed on December 15, 1977, by three Syntex employees. Although this patent belonged to Syntex, it was allegedly substantially similar to the patent awarded to Tsuetaki in the January 13, 1981 judgment. Further, the judgment required Novicky to transfer to Tsuetaki documents allegedly belonging to Syntex and drafted by

Novicky during his employment there. Syntex requested the trial court to enter a protective order staying certain paragraphs of its order pending the decision of the Federal court regarding the rights of the parties.

On February 24, 1981, Syntex filed a Special and Limited Appearance to contest personal jurisdiction of the state court. On July 10, 1981, the trial court held that Syntex, by filing its cross-petition and its response to the petition for Rule to Show Cause, had made a general appearance thereby submitting itself to the jurisdiction of the trial court. The court, further, denied Syntex's petition for a protective order. Novicky's post-trial motion was also denied.

Novicky appeals the January 13, 1981 and July 10, 1981 decision of the circuit court. In addition, he filed a petition pursuant to section 72 of the Civil Practice Act (Ill. Rev. Stat. 1979, ch. 110, par. 72),

now codified as section 2-1401 of the Code of Civil Procedure (Ill. Rev. Stat. 1981, ch. 110, par. 2-1401), on the basis of testimony given by Tsuetaki and by Fused's comptroller, in the Federal case against both Tsuetaki and Novicky. Novicky asserted in his petition that (1) evidence given by Tsuetaki and the comptroller in the Federal case directly contradicted testimony relied upon by the circuit court in its resolution of the case in the circuit court; and (2) evidence in the Federal case established that Syntex was an indispensable party who should have been joined to the circuit court action. Tsuetaki filed a motion to strike the section 72 petition. The court granted the motion to strike. Novicky also appeals this order.

I.

We first address the issue of the dismissal of the section 72 petition which alleged that the evidence given by Tsuetaki in the circuit

court was contradicted by subsequent depositions given by Tsuetaki in the Syntex case in the Federal court. Tsuetaki and his comptroller, Bill Vranas (Vranas), testified in the trial of the instant case in support of Tsuetaki's claim of coercion and duress that Tsuetaki had not been able to fill his orders for lenses during the summer of 1980 because of Novicky's refusal to produce sufficient material and his lack of other personnel to manufacture the material. However, according to their depositions in the Federal case, not only had Tsuetaki been able to fill his orders on July 3, 1980 and July 15, 1980, from material made by Novicky before his resignation, but Vranas testified further that sales were in fact "bad" during the summer of 1980 and that when Tsuetaki resumed production without Novicky he still had an inventory over 1,000 "buttons" produced by Novicky. This is inconsistent with Vranas' and Tsuetaki's testimony in the circuit court.

Concerning Novicky's so-called "private patents", Tsuetaki testified in circuit court in support of his allegation that Novicky had coerced him into waiving his interest in those patents:

> "I asked Mr. Novicky, what do you want to do. What do I have to do in order that we can have production and satisfy our needs? **** I had no choice but to sign this."

However, in his deposition in the Federal case filed by Syntex, Tsuetaki stated that about six months after the commencement of the employment agreement Novicky had offered him the private patents for $10,000. Tsuetaki stated that he simply did not wish to accept his offer. Again this contradicts the testimony in the instant case.

Further, regarding the alleged duress resulting from Tsuetaki's complete dependence on Novicky for the production of lenses due to a lack of other qualified employees, the

Federal deposition revealed that Tsuetaki had actually opened a second laboratory, Paragon Research Corporation, before Novicky resigned. In the instant case, on the other hand, Tsuetaki had testified that he had "no desire" to open another laboratory facility and that Novicky would not have permitted him to hire an additional chemist.

In addition, in the circuit court, counsel for Tsuetaki referred to Novicky as having "extorted" the $3,000 received for preparation of the United States Food and Drug Administration file, claiming that the typing bills in conjunction with the preparation of the file had amounted to only $54. The actual bills, disgorged in the Federal court proceeding, totaled approximately $1,400.

In the section 72 petition Novicky also alleged that Syntex was an indispensable party to the circuit court case, based on Syntex's assertions in the Federal case that it had a

proprietary interest in the subject matter of this case. Novicky's section 72 petition was supported by his affidavit and memorandum.

Tsuetaki filed a motion to dismiss the section 72 petition alleging that it was insufficient at law to state a claim for relief. The circuit court entered an order striking the section 72 petition on the basis that the newly discovered evidence could have been presented at the trial if Novicky had exercised due diligence.

First, we note that for purposes of a section 72 petition, as in other pleadings, failure to answer the allegations of the petition constitutes an admission. (Campbell v. Kaczmarek (1976), 39 Ill. App. 3d 465, 350 N.E.2d 97.) Therefore, we must accept Novicky's allegations as true and the only issue before this court is whether the petition and its supporting affidavit adequately set forth facts to show that the trial court abused its discretion in

denying the petition. (Colletti v. Schrieffer's Motor Service Inc. (1962), 38 Ill. App. 2d 128, 186 N.E.2d 659.) A court of review may disturb a trial court's decision regarding a section 72 petition only if it finds that the court abused its discretion. Stallworth v. Thomas (1980), 83 Ill. App. 3d 747, 404 N.E.2d 554.

The criteria for a successful section 72 petition are well established. A party must demonstrate: (1) the existence of a meritorious defense or claim; (2) due diligence in presenting this defense or claim to the court in the original action; (3) that, through no fault of his own, an error was made or a defense or claim was not raised; and (4) due diligence in filing the petition. In addition, the petition must set forth specific factual allegations in support of each element in order to prevail. Stallworth v. Thomas.

The purpose of section 72 petition is to permit the vacation of judgments where facts exist which, had they been known to the trial court, would have precluded the judgment. (Diacou v. Palos State Bank (1976), 65 Ill. 2d 304, 357 N.E.2d 518; People v. Hinton (1972), 52 Ill. 2d 239, 287 N.E.2d 657, cert. denied (1973), 410 U.S. 940.) It must be a fact that influenced the court in its judgment but about which the court was in error. Further, the petitioner must demonstrate that through no fault or neglect of his own the error of fact could not have been discovered at the time of the original proceeding. (People v. Jennings (1971), 48 Ill. 2d 295, 269 N.E.2d 474; People v. Stewart (1978), 66 Ill. App. 3d 342, 383 N.E.2d 1179.) Section 72 is an appropriate remedy where the omission of a valid defense was caused by fraud, duress or excusable mistake. It is not intended to relieve a party of the consequences of his

own negligence or mistake. Diacou v. Palos State Bank; People v. Stewart.

It is our opinion that Novicky has alleged specific facts in his petition, recounted above, which could have led the circuit court to a different decision regarding the agreement between him and Tsuetaki, as well as the modifications of that agreement, had they been known at the time of judgment. The cornerstone of Tsuetaki's case was his claim of economic duress produced by Novicky's alleged refusal to produce sufficient material to fill Tsuetaki's orders for contact lenses. It was on this basis that the trial court held the modifications of the employment agreement to have been made under duress and therefore unenforceable. Depositions taken during discovery in the Syntex Federal case -- the testimony of Tsuetaki himself as well as that of Bill Vranas, the two principal witnesses in the action against Novicky -- refute this. Thus, we

believe that Novicky has presented a meritorious defense and the initial requirement for a successful section 72 petition has been satisfied.

In his petition Novicky stated, in support of the due diligence requirement, that these facts were not brought out at trial because, as an individual, he was economically precluded from the scope of discovery available to Syntex, a corporation. While this may not be sufficient to establish due diligence in itself, we note that the equitable powers of the court are invoked in the consideration of section 72 petitions (Elfman v. Evanston Bus Co. (1963), 27 Ill. 2d 609, 190 N.E.2d 348), and that section 72 relief is granted to achieve justice, and that a liberal construction is used to achieve that end. (Elfman v. Evanston Bus Co.; Electrical Wholesalers, Inc. v. Silverstein (1977), 47 Ill. App. 3d 689, 365 N.E.3d 375.) The requirement of due diligence need not be

rigidly enforced when fraud or unconscionable behavior is shown. (Department of Public Works & Building v. O'Hare International Bank (1976), 44 Ill. App. 3d 934, 358 N.E.2d 1308; see Esczuk v. Chicago Transit Authority (1968), 39 Ill. 2d 464, 236 N.E.2d 719.) We believe that the apparently false testimony given by Tsuetaki and Vranas may fairly be characterized as fraud.

Further, it is our opinion that Tsuetaki's self-serving testimony, depending upon the court in which he had been called to testify or to give a deposition, constituted unconscionable behavior. Since it can hardly be attributed to any fault on Novicky's part that Tsuetaki and Vranas did not testify truthfully, we conclude that the requirement of due diligence has been satisfied and that the trial court abused its discretion in dismissing Novicky's section 72 petition. Thus, the judgment of the trial court is vacated and this matter is remanded for further proceedings.

II.

We next address the issue of Syntex as a necessary party. We first note that we do not believe that Syntex should be joined on the basis of the section 72 petition, since as Syntex's former employee any fault for the failure to join Syntex originally must be attributed to Novicky. Relief pursuant to section 72 is not designed to remedy the consequences of a party's own negligence. Diacou v. Palos State Bank (1976), 65 Ill. 2d 304, 357 N.E.2d 518.

However, it is well established that if a complete determination of a controversy cannot be had without the presence of a party, or if a person, not a party, has a property interest which a judgment may affect, the court on application shall direct him to be made a party. (Ill. Rev. Stat. 1979, ch. 110, par. 25(1), now codified as section 2-406(a) of the Code of Civil Procedure (Ill. Rev.

Stat. 1981, ch. 110, par. 2-406(a)); (Lain v. John Hancock Mutual LIfe Insurance Co. (1979), 79 Ill. App. 3d 264, 398 N.E.2d 278; Lerner v. Zipperman (1979), 69 Ill. App. 3d 620, 387 N.E.2d 946.) This is required by fundamental principles of due process, since a court is without jurisdiction to enter a decree or judgment which affects a right or interest of someone not before that court. (Lerner v. Zipperman.) The requirement of joinder of necessary parties is absolute and inflexible and therefore an appellate court has a duty to enforce the principle of law requiring the joinder of parties sua sponte as soon as it is brought to its attention. Lerner v. Zipperman.

In our opinion due process requires that Syntex be joined to this action upon remand. Syntex is clearly a necessary party since it is manifest from the record as well as the parties' briefs on appeal that, as

Novicky's former employer, Syntex has claimed a property interest in the same alleged trade secrets and patented processes that are the subject matter of the controversy between Novicky and Tsuetaki. A judgment enjoining Novicky from the use or dissemination of this information, while allowing Tsuetaki to proceed freely, could infringe the rights of Syntex, as could a contrary disposition. Therefore, we hold that upon remand Syntex must be joined as a necessary party.

III.

Finally, since the issue is likely to arise again upon remand, we address the scope of the injunction against Novicky. An injunction should be reasonable and should only be as broad as is essential to safeguard the rights of the plaintiff. (Village of Wilsonville v. SCA Services, Inc. (1981), 86 Ill. 2d 1, 426 N.E.2d 824.) Furthermore, as a general rule, an injunctive order should not be broader

in scope than the relief sought in the pleadings. (Cook County v. Rosen & Shane Wine & Spirits, Inc. (1978), 58 Ill. App. 3d 744, 374 N.E.2d 838; Schlicksup Drug Co., Inc. v. Schlicksup (1970), 129, Ill. App. 2d 181, 262 N.E.2d 713.) We agree with Novicky that the apparently perpetual injunction entered by the trial court essentially enjoining him from disclosing any and all information relating to the manufacture of contact lenses, including but not limited to information which could, would or did lead to the filing of applications for letters patent, is too broad. The granting of the injunction is reversed. To aid in the enforceability of any possible future injunction, the trial court should delineate with greater specificity precisely which information may not be disclosed or used, and for what period of time.

For the foregoing reasons, the judgment of the circuit court of Cook County is reversed and remanded for a new trial.

Reversed and remanded.

McNAMARA, P.J., and RIZZI, J., concur.

No. 84-1089 (3)

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IN THE

Supreme Court of the United States

October Term, 1984

NICK N. NOVICKY,

Petitioner,

v.

SYNTEX OPHTHALMICS, INC. and ARAPAHOE CHEMICALS, INC. (now SYNTEX CHEMICALS, INC.),

Respondents.

NICK N. NOVICKY,

Petitioner,

v.

GEORGE F. TSUETAKI and FUSED KONTACTS OF CHICAGO, INC.,

Respondents.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

BRIEF OF RESPONDENTS IN OPPOSITION

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Counterstatement of Questions Presented for Review

1. Whether the granting of title to patents by summary judgment was a denial of due process where supported by written assignments, repeated admissions of petitioner, and portions of a state court judgment affirmed on appeal?

2. Whether there is any conflict between state and federal courts where (a) the state and federal court decisions agree on all findings relevant to the Petition for a Writ of Certiorari, (b) any overlapping issue in the state court was removed to the federal court, and (c) the remaining undecided patent title issue in federal court will soon be decided?

3. Whether petitioner can base any claim of denial of due process on "facts" contrary to express findings in the courts below?

4. Whether this Court should consider petitioner's claim of denial of due process where it was neither pleaded, argued nor briefed in the District Court or the Federal Circuit?

Parties to the Proceeding

The parties named in the caption are the only parties to this action. Respondents' statement pursuant to Rule 28.1 is set forth in the margin.*

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* Syntex Ophthalmics, Inc. and Arapahoe Chemicals, Inc. (now Syntex Chemicals, Inc.) are Delaware corporations. They are sister corporations, each being a wholly owned subsidiary, directly or indirectly, of Syntex (U.S.A.) Inc. which is a Delaware corporation with its principal place of business in California. Syntex Ophthalmics, Inc. has its principal place of business in Arizona. Syntex Chemicals, Inc. has its principal place of business in Colorado.

Petitioner Nick N. Novicky, an individual, is affiliated with Innovative Chemical Research in Whitby, Ontario, Canada, and has a laboratory in Calgary, Canada at 4315 64th Avenue.

George F. Tsuetaki is a resident of the state of Illinois with a business address at Five North Wabash Avenue, Chicago, Illinois.

Fused Kontacts of Chicago, Inc. is an Illinois corporation wholly owned by George Tsuetaki with its principal place of business in Chicago, Illinois.

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IN THE

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NICK N. NOVICKY,

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SYNTEX OPHTHALMICS, INC., and ARAPAHOE CHEMICALS, INC. (now SYNTEX CHEMICALS, INC.),

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NICK N. NOVICKY,

Petitioner,

v.

GEORGE F. TSUETAKI and FUSED KONTACTS OF CHICAGO, INC.,

Respondents.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

BRIEF OF RESPONDENTS IN OPPOSITION

Respondents, Syntex Ophthalmics, Inc. and Arapahoe Chemicals, Inc. (now Syntex Chemicals, Inc.) (hereinafter collectively "Syntex") respectfully request that the Court deny Nick N. Novicky's (hereinafter "Novicky") Petition

for a Writ of Certiorari. Neither the questions presented nor the reasons given by petitioner for grant of the writ provide appropriate bases for the exercise of this Court's discretionary jurisdiction.

I. OPINIONS BELOW

A. The Federal Case

The decision of the District Court for the Northern District of Illinois granting Syntex a preliminary injunction is reported as *Syntex Ophthalmics, Inc.* v. *Novicky,* 214 U.S.P.Q. 272 (N.D. Ill. 1982), *aff'd sub nom., Syntex Ophthalmics, Inc.* v. *Tsuetaki,* 701 F.2d 677, 219 U.S.P.Q. 962 (7th Cir. 1983). The opinion of the District Court for the Northern District of Illinois holding Novicky misappropriated Syntex' trade secrets and granting a final injunction is reported as *Syntex Ophthalmics, Inc.* v. *Novicky,* 221 U.S.P.Q. 860 (N.D. Ill. 1983), *aff'd in part, rev'd in part,* 223 U.S.P.Q. 695 (Fed. Cir. 1984). The opinion of the Court of Appeals for the Federal Circuit affirming the District Court's findings of trade secret theft and grant of summary judgment as to Syntex' title to six of eight patents and applications in issue is reported at 223 U.S.P.Q. 695 (Fed. Cir. 1984).

B. The State Case

The decision of the Illinois state court is reported as *Tsuetaki* v. *Novicky,* No. 80 CH 4724 (Cir. Ct. Cook Cty. Ill. Jan. 31, 1981). The Illinois appellate court decision is reported as *Tsuetaki* v. *Novicky,* Nos. 81-1727/81-2857 (3d Div. 1983).

II. JURISDICTIONAL STATEMENT

This Court only has jurisdiction to review the decision of the Court of Appeals for the Federal Circuit in this matter pursuant to 28 U.S.C. § 1254(1), if a writ of certiorari is granted upon Novicky's petition. The judgment of the Federal Circuit for which this Court's review is sought, was entered October 3, 1984.

III. COUNTERSTATEMENT OF THE CASE

To date, five different courts have summarized the relevant facts: the Illinois state trial court, the Illinois state appellate court, the District Court for the Northern District of Illinois twice, the Court of Appeals for the Seventh Circuit, and the Court of Appeals for the Federal Circuit. The well reasoned and thorough opinions of District Court Judge Decker and Federal Circuit Judge Davis state the relevant facts most accurately and succinctly, and do not need repetition here.

Petitioner's brief, in contrast, is replete with alleged facts which are contrary to facts of public record or directly contradicted by the findings of the courts below. To illustrate:

1. Novicky alleges that Syntex has spent millions of dollars in fighting him because Syntex' patent position is fragile (Novicky Petition p. 5 hereinafter "NP p. 5"). In fact, Syntex is suing on its Gaylord patents (Reissue Patent No. 31,406 and U.S. Patent No. 4,120,570) both in Phoenix, Arizona (C.A. No. 84-260-PHX-WPC) and in Denver, Colorado (Civ. 84-F-1439).

2. Novicky asserts that the Arapahoe batch sheets were discarded by Syntex before this litigation began (NP p. 5). In fact, the Federal Circuit agreed with the District Court's finding that Syntex "made great efforts" to preserve the confidentiality of its trade secrets and that Syntex has trade secrets in the compilation of reactions set forth in the batch sheets. *See, Syntex Ophthalmics, Inc.* v. *Novicky,* 223 U.S.P.Q. 695, 703 (Fed. Cir. 1984) (38a-40a)[1].

3. Novicky asserts that on May 12, 1978, he was forced to resign from Syntex because Syntex did not feel that Novicky was qualified to do basic research (NP p. 6). In fact, Syntex promoted Novicky to chemist in 1977 and assigned him to the POLYCON[2] project and "on May 12, 1978, Novicky resigned from Arapahoe and took Arapahoe log sheets and other Syntex documents with him." *Syntex Ophthalmics, Inc.* v. *Novicky,* 221 U.S.P.Q. 860, 863-64 (N.D. Ill. 1983).

4. Novicky asserts that the Illinois appellate court reversed the state trial court decision in its entirety (NP p. 13), yet he fails to mention that the only patent dispute between Novicky and Tsuetaki in the state court litigation concerned title to the two private patents, namely U.S. Patent Nos. 4,242,483 and 4,248,989. The Illinois appellate court accepted the trial court's finding that Novicky conceded the other patents and patent applications at issue were assigned to Tsuetaki in accordance with the employment agreement signed by Novicky. (56a-58a).

---

1. Appendix references are to the numbered pages of the Appendix to Novicky's Petition.

2. POLYCON is the registered trademark of Syntex for its rigid, silicon-containing, gas permeable contact lenses.

Specifically, the appellate court noted that (1) Novicky was paid a total of $20,000 for patent application Serial Number 6725 (U.S. Patent No. 4,216,303), (2) Novicky filed two more applications for other inventions which "Novicky agrees belong to Tsuetaki", and (3) Novicky filed three additional patent applications, only two of which [the '483 and '989 private patents] Novicky claimed belong to him. (56a-58a). The Federal Circuit agreed with these state court holdings. *See, Syntex Ophthalmics, Inc., supra,* 223 U.S.P.Q. at 701 (29a-30a). Thus, the decisions of the Federal Circuit and the Illinois appellate court are not in "head-to-head conflict" as alleged by Novicky (NP p. 22), but rather are consistent with one another on all patent title matters.

5. Novicky alleges that after he left Syntex he invented new silicon monomers which were eventually patented in the '483 and '989 private patents (NP p. 16), despite the holding of the Federal Circuit, based on Novicky's own admissions, that while employed by Syntex "[i]n December 1977, Novicky prepared, signed, and had two Syntex employees witness a patent disclosure" which formed the basis for the '483 and '989 private patents. *Id.* at 698 (9a).

6. Novicky claims that the District Court entered the injunction barring him from using the S-9 monomer "without ever hearing a word of evidence on the issue of whether Novicky had conceived those monomers while he was a Syntex employee . . . or after he left Syntex' employ" (NP p. 19). In fact, the District Court found that when Novicky resigned from Syntex he took with him Arapahoe batch sheets and other Syntex documents, and within a week he was synthesizing "the precursors to [the] 'S-9' monomer." Based on the testimony of Dr. Merker, Novicky's expert,

and Dr. McGrath, Syntex' expert, the Court concluded that "[t]he evidence is overwhelming that Novicky could not have independently developed the procedure for making a related silicone-PMMA within the time it took him to make the S-9 material" and that "[h]e had insufficient time to research and develop the process independently of his work at Syntex." *Syntex Ophthalmics, Inc., supra,* 221 U.S.P.Q. at 864.

7. In a footnote, Novicky alleged that the District Court, while aware that the state trial court judgment was reversed, unaccountably refused to vacate its grant of partial summary judgment to Syntex, upholding its title to the patents in suit (NP fn. p. 19). Contrary to Novicky's allegation, the Court became aware of the reversal of the state court judgment during the preparation of its opinion on the trade secret issues and specifically held that the Illinois appellate court's ruling had no effect on the trade secret claims addressed at trial because the appellate court decision dealt with patent ownership issues. *Id.* at 861 fn. 3.

8. Novicky claims that the Federal Circuit, "in large measure", reversed the decision of the District Court. (NP p. 20). In fact, the Federal Circuit affirmed the grant of summary judgment on the patent title issue as to six of the eight patents and applications on appeal; affirmed the District Court's holding that Novicky misappropriated Syntex' trade secrets and that an injunction was proper; and affirmed the District Court's denial of Novicky's motion to remand the state action back to state court. *Syntex Ophthalmics, Inc., supra,* 223 U.S.P.Q. at 696 (3a).

9. Novicky claims that the "practical effect" of the Federal Circuit's decision was to deny Novicky a hearing as to the issue of ownership of the patents here in issue (NP p. 21). As shown above, there is only a dispute as to the two private patents, which the Federal Circuit has remanded for the very evidentiary hearing Novicky claims he is being denied.

In short, Novicky is simply ignoring the record below to repeat again his lame arguments uniformly rejected by the District Court for the Northern District of Illinois, the Seventh Circuit and the Federal Circuit. Such a petition lacks even good faith, let alone a showing of denial of due process.

IV. REASONS FOR DENYING THE WRIT

This case does not meet the accepted standards for discretionary review and is not appropriate for certiorari. As stated by Mr. Chief Justice Taft, certiorari should not be granted "except in cases involving principles the settlement of which is of importance to the public, as distinguished from that of the parties, and in cases where there is a real and embarrassing conflict of opinion and authority between the Circuit Courts of Appeals." *Layne & Bowler Corp.* v. *Western Well Works, Inc.*, 261 U.S. 387, 393 (1923).

Here there is no conflict between the Federal Circuit's decision and another federal court of appeals, and none is alleged. No conflict exists between the Federal Circuit's decision and the decision of the Illinois appellate court, notwithstanding Novicky's assertion to the contrary. No

conflict exists between the Federal Circuit's decision and any decision of this Court. Finally, the Federal Circuit's decision does not decide any new and important issues of federal law which should be settled by this Court. Rather, the Federal Circuit decision applies well-settled principles of law. Accordingly, the facts disclosed by this record compel the conclusion that the standards governing the exercise of this Court's discretionary power of review upon a writ of certiorari are not met.

V. ARGUMENT

A. The State And Federal Courts Agree On The Issues Asserted By Petitioner As In Conflict

Novicky makes many sweeping assertions of "fact" from which he argues there is a deprivation of due process and a conflict between the state and federal courts. Such assertions are contrary to express findings of the Illinois appellate court and the Federal Circuit.

For example, Novicky once again tries to paint himself as an injured innocent, despite four courts holding four different times that he stole and copied Syntex' trade secret Arapahoe batch sheets almost verbatim and sold them to Tsuetaki. *See,* grant of preliminary injunction to Syntex *Syntex Ophthalmics, Inc.* v. *Novicky,* 214 U.S.P.Q. 272 (N.D. Ill. 1982), *aff'd sub nom., Syntex Ophthalmics, Inc.* v. *Tsuetaki,* 701 F.2d 677 (7th Cir. 1983); and holding that Novicky misappropriated Syntex' trade secrets, *Syntex Ophthalmics, Inc.* v. *Novicky,* 221 U.S.P.Q. 860 (N.D. Ill. 1983), *aff'd in part, rev'd in part,* 223 U.S.P.Q. 695 (Fed. Cir. 1984). All federal courts involved agreed that Novicky

should be enjoined in some form from using Syntex' trade secrets.

All courts involved also agreed that title to all but the two so-called "private patents" (U.S. Patents Nos. 4,242,483 and 4,248,989) do not reside in Novicky.[3] As to the two private patents, all the federal courts and the state appellate court agree that Novicky made these inventions while employed by Syntex under a valid employment contract:

1. *District Court for the Northern District of Illinois:* Novicky assigned the patents here in question to Tsuetaki, evidenced by recorded assignments. *See,* Appendix to Brief for Appellee at 249a-259a, *Syntex Ophthalmics, Inc.* v. *Novicky,* 223 U.S.P.Q. 695 (Fed. Cir. 1984). Tsuetaki's assignment to Syntex vests title. *Syntex Ophthalmics, Inc.* v. *Novicky,* 223 U.S.P.Q. 695, 699, 702 (Fed. Cir. 1984) (18a-19a; 31a-32a). The two private patents were invented by Novicky while an employee of Syntex, as evidenced by a written, signed, and witnessed patent disclosure. *Id.* at 698 (9a).

2. *Seventh Circuit* (affirming preliminary injunction): Syntex likely to prevail on the merits, *Syntex Ophthalmics, Inc.* v. *Tsuetaki,* 701 F.2d 677, 682 (7th Cir. 1983); the only dispute is the relative rights of Tsuetaki and Syntex to some patents.

---

3. Although the state appellate court reversed the state trial court's judgment, it had no effect on Syntex' title to U.S. Patent Nos. 4,216,303; 4,303,772; 4,314,068; 4,365,074 and applications Serial Nos. 81,682 and 103,408. *See, Syntex Ophthalmics, Inc.* v. *Novicky,* 223 U.S.P.Q. 695, 701 (Fed. Cir. 1984) (27a-28a).

3. *Federal Circuit:* Syntex has title to the four patents and two patent applications in question here on petition because of the assignment of patents to Syntex, the settlement agreement with Tsuetaki, and the state appellate court decision which did not disturb the state trial court's findings as to the patent title matters other than the two private patents. *Syntex Ophthalmics, Inc., supra,* 223 U.S.P.Q. at 701-02 (27a-28a; 31a-32a). Novicky admitted that he invented the two private patents while employed by Syntex. *Id.* at 698 (9a), 702 (33a-34a). Whether Syntex affirmatively waived its rights to the two private patents was remanded to the District Court for the Northern District of Illinois for an evidentiary hearing in the near future. *Id.* at 702 (34a-35a).

4. *Illinois Appellate Court:* Affirmed that Novicky's assignment of the four patents and two patent applications here in question to Tsuetaki was valid and binding. (56a-58a); *Syntex Ophthalmics, Inc., supra,* 223 U.S.P.Q. at 701-02 (27a-28a; 31a-32a). The court also recognized that Syntex claimed a property interest in the two private patents, and held that Syntex must be joined as a necessary party to determine Syntex' and Tsuetaki's rights to the private patents. (76a); *Syntex Ophthalmics, Inc., supra,* 223 U.S.P.Q. at 701 (28a).

These repeated holdings that Novicky has no rights to the four patents and two patent applications here in question are consistent, binding and are entitled to preclusive effect.

In the face of such findings, Novicky nonetheless makes the bald assertions that:

— The state "Appellate Court reversed the Circuit Court's decision in its entirety." (NP p. 13).

— Novicky made the inventions disclosed in the two private patents "after he left Syntex." (NP p. 16).

— The state appellate court decision about the four patents was but a "casual remark." (NP fn. p. 21).

— "[T]he Federal Circuit and the Illinois Appellate Court are in a head-to-head conflict." (NP p. 22).

As to the two private patents, Tsuetaki no longer has an interest, having assigned his rights to Syntex as part of the settlement. *Syntex Ophthalmics, Inc., supra,* 223 U.S.P.Q. at 699, 701 (18a-19a; 25a-27a; 31a). The limited patent title waiver dispute between Syntex and Novicky is on remand to the District Court for the Northern District of Illinois, the first court with jurisdiction over both Syntex and Novicky.[4] Since all courts agree that Syntex has *prima facie* rights to these private patents because of Novicky's invention under the terms of his employment contract with Syntex, no potential conflict exists. This is especially so since the state appellate court has not even remanded yet, while the Federal District Court will try the issue in the near future.[5]

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4. Novicky argues that the state court first had all the parties joined in one action. In fact, Syntex' federal action, joining all three parties, was filed before Count V was added in the state court to join Syntex. *Id.* at 698-99 (12a-14a).

5. Tsuetaki filed a petition for rehearing, asking the state appelpate court to vacate its decision and dismiss Novicky's appeal on the theory that the removal of Count V to the federal court divested the appellate court of jurisdiction. This petition for rehearing is still pending.

As a final note to the quality of Novicky's "factual" assertions, his allegation that "[i]n fact, it is because of Syntex' fragile patent position that it has invested millions of dollars in fighting Novicky as a lone inventor" (NP p. 5), verges on the unethical. In fact, Syntex now has two pending patent infringement suits (one in Phoenix, Arizona C.A. No. 84-260-PHX-WPC and the other in Denver, Colorado Civ. 84-F-1439), asserting its own patents, a fact personally known to counsel for petitioner, since he represents one of the defendants and has acknowledged awareness of the other lawsuit.

In short, the only injustice here is Novicky wasting this Court's time and delaying justice for Syntex. As stated by this Court in *Magnum Import Co.* v. *Coty,* 262 U.S. 159, 163 (1923):

> The jurisdiction to bring up cases by certiorari from the Circuit Courts of Appeals was given for two purposes, first to secure uniformity of decision between those courts in the nine circuits, and second, to bring up cases involving questions of importance which it is in public interest to have decided by this court of last resort. The jurisdiction was not conferred upon this court merely to give the defeated party in the Circuit Court of Appeals another hearing.

B. Summary Judgment Based On Collateral Estoppel Was Proper

Prior to the trial in the Illinois District Court, Syntex moved for summary judgment granting it title to all the patents and applications in issue by combining offensive collateral estoppel from the state court judgment, *Parklane Hosiery, Inc.* v. *Shore,* 439 U.S. 322, 326 n.4 (1979),

with the settlement with Tsuetaki. Contrary to Novicky's innuendo about a "mysterious settlement agreement" (NP p. 18), the District Court waited until the legal assignment of patents from Tsuetaki to Syntex was filed, then entered final judgment the next day.

The state appellate court later reversed the state trial court decision as to the two private patents because it believed that Syntex' rights could be infringed (76a), but upheld the assignments of the other patents to Tsuetaki, based in large part on Novicky's own admissions. (56a-58a).

On these facts, the Federal Circuit's affirmance of summary judgment as to all but the private patents is proper, since (1) it can take judicial notice of patent assignments recorded in the Patent and Trademark Office; and (2) the portions of the state trial court decision which were neither disputed nor found to be incorrect by the Illinois appellate court still have vitality as collateral estoppel, *Phipps* v. *United States,* 515 F.2d 1099, 1100 (Ct. Cl. 1975); or as the law of the case, 1B *Moore's Federal Practice,* ¶ 0.416[2] at 517 (2d ed. 1983); *Central Soya Co.* v. *Geo. A. Hormel & Co.,* 723 F.2d 1573, 1580 (Fed. Cir. 1983); *Perkin-Elmer Corp.* v. *Computervision Corp.,* 732 F.2d 888, 900 (Fed. Cir. 1984); *Paskaly* v. *Seale,* 506 F.2d 1209, 1211 n.4 (9th Cir. 1974).

The Illinois state appellate court decision affirmed that, pursuant to Novicky's employment agreement with Tsuetaki, Novicky assigned his rights in U.S. Patent No. 4,216,-303 (the "S-9" patent) to Tsuetaki, as reflected on the face of the issued patent. (56a-58a). Two divisionals of the

'303 patent (U.S. Patent Nos. 4,314,068 and 4,365,074) also show assignment to Tsuetaki on their face. *See also, Syntex Ophthalmics, Inc., supra,* 223 U.S.P.Q. at 701-02, n.18 (25a-27a; 31a).

Novicky also executed written assignments for three other patent applications (*See,* Appendix to Brief for Appellee at 249a-258a, *Syntex Ophthalmics, Inc.* v. *Novicky,* 223 U.S.P.Q. 695 (Fed. Cir. 1984)), all pursuant to the agreement. One of the applications has issued as U.S. Patent No. 4,303,772, showing assignment to Tsuetaki on its face. *Syntex Ophthalmics, Inc., supra,* 223 U.S.P.Q. at 701 (25a-26a). One of the remaining assigned applications is pending and the other has been abandoned.

Novicky himself also admitted in his Answer to Tsuetaki's state complaint that these applications "were assigned by Novicky to Tsuetaki, pursuant to the terms of the Agreement." *See,* Appendix to Brief for Appellee at 169a, ¶ 18, *Syntex Ophthalmics, Inc.* v. *Novicky,* 223 U.S.P.Q. 695 (Fed. Cir. 1984).

The Federal Circuit reviewed this entire record and held:

> However, as we show *infra,* the appellate court did not disturb the trial court's findings that Tsuetaki was the owner of . . . [the patents in issue]. Accordingly, we hold that Novicky is still precluded from raising his claim to any of these four patents and applications, or his claims to the two divisionals of the '303 patent . . . .

Syntex Ophthalmics, Inc., supra, 223 U.S.P.Q. at 701 (27a-28a). For a detailed discussion *see, id.* at pp. 701-02 (25a-35a).

The Federal Circuit also noted that "[t]he only real patent title dispute between Novicky and Tsuetaki in the original state court litigation concerned the two 'private patents'—the '483 and '989 patents." *Id.* at 701 (29a).

Thus the state court's holding that Novicky assigned the patents in question here to Tsuetaki is undisputed and established beyond question, more than satisfying the requirements of collateral estoppel, res judicata, or, as preferred by the Federal Circuit, the doctrine of claim preclusion. *Id.* at 701-02, fn. 17 (30a).

C. Novicky Has Been Accorded, And Abused, Due Process

To date, Novicky has sought in five different courts to avoid the effects of his blatant theft of Syntex' trade secrets, all from the safe haven of Canada, having fled early-on the reach of both state and federal courts.

Novicky's petition only recites once again his self-serving story, which has been repeatedly rejected by the courts. Significantly, Novicky's petition is largely devoid of page citations to the factual findings of the courts' decisions; that is because those findings are contrary to his assertions. Most important here, Novicky is asking this Court to review the factual findings of the Federal Circuit affirming the District Court's grant of patent title by summary judgment because, Novicky argues, these findings are erroneous. The existing case law does not support Novicky's claim that he has a right to have the factual determinations of the Federal Circuit reviewed by this Court. The law is to the contrary. As stated by Mr. Justice Jackson in

Graver Tank & Mfg. Co. v. *Linde Air Products Co.*, 336 U.S. 271, 275 (1949):

> A court of law, such as this Court is, rather than a court for correction of errors in fact finding, cannot undertake to review concurrent findings of fact by two courts below in the absence of a very obvious and exceptional showing of error. (citations omitted).

No such showing is made by Novicky. *See also Berenyi* v. *District Director, Imm. Nat. Serv.*, 385 U.S. 630, 635-36 (1967).

Instead, Novicky only makes a conclusory argument, without case law or record citation, that due process has somehow been offended by entry of summary judgment granting patent title to Syntex. As shown, *supra*, there is more than ample basis, not challenged by Novicky, to sustain the court's finding of title in Syntex. Therefore, Novicky's argument is reduced to the absurd assertion that summary judgment and the lack of an evidentiary hearing *per se* violate due process.

The relevant law on summary judgment provides that the Federal Circuit could affirm on any ground that appears in the record, provided the parties have had the opportunity to brief the issue. *Paskaly* v. *Seale*, 506 F.2d 1209, 1211, n.4 (9th Cir. 1974); *Helena Rubinstein, Inc.* v. *Bau*, 433 F.2d 1021, 1023 (9th Cir. 1970); *Miller* v. *Gateway Transportation Co.*, 616 F.2d 272, 275 (7th Cir. 1980). Further, the Federal Circuit properly applied the same tests as the District Court, *Goodman* v. *Mead Johnson & Co.*, 534 F.2d 566, 573 (3rd Cir. 1976), *cert. denied*, 429 U.S. 1038 (1977), and properly looked to the entire record (some 17

volumes of appendices), including depositions, admissions, and affidavits, *Bushman Construction Co.* v. *Connor,* 307 F.2d 888, 892-93 (10th Cir. 1962).

Novicky can only assert that an evidentiary hearing is needed by contradicting his own admissions (*See,* n.6 *infra.*) and ignoring the overwhelming evidence of his assignment of all but the private patents to Tsuetaki.

As to the private patents, Novicky is precluded by the overwhelming evidence from denying he invented these while employed by Syntex.[6] The narrow issue remaining on Syntex' claim to title, i.e., whether Syntex waived its rights, will soon have an evidentiary hearing in the Northern District of Illinois.[7] There being no conflicting state hearing, the federal hearing will decide this patent title issue. Surely there is no need for state court involvement in this issue since (1) Tsuetaki has assigned all his patent rights to Syntex; (2) the federal court first had jurisdiction over both Syntex and Novicky; and (3) the portion of the state court action involving Syntex' rights (Count V) was properly removed before any appeal of that count to the Illinois appellate court. *See, Syntex Ophthalmics, Inc., supra,* 223 U.S.P.Q. at 699-700 (20a-22a). These same factors undercut Novicky's arguments for abstention.

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6. Novicky has repeatedly said these patents belonged to Syntex and not Tsuetaki. *See,* Brief for Appellee at 38-39, *Syntex Ophthalmics, Inc.* v. *Novicky,* 223 U.S.P.Q. 695 (Fed. Cir. 1984)

7. If this issue is decided against Syntex, Novicky's federal counterclaim for damages relating to the private patents will (as it must) also be decided by the federal court.

In fact, Novicky's implied challenge now to the removal by arguing abstention is itself an abuse, since in state court Novicky himself urged:

> . . . that issues common to the federal action be served [sic—severed] for removal to the federal district court to resolve same in the pending action between the parties.

See, Appendix to Brief for Appellee at 281a, *Syntex Ophthalmics, Inc.* v. *Novicky,* 223 U.S.P.Q. 695 (Fed. Cir. 1984).

When the action was removed, Novicky never challenged its propriety. Only after an adverse trial decision in federal court did Novicky move for a remand. Such procedural legerdemain hardly supports Novicky's claim now of lack of due process or his urging that the controversy should be placed back at square one in the state court.

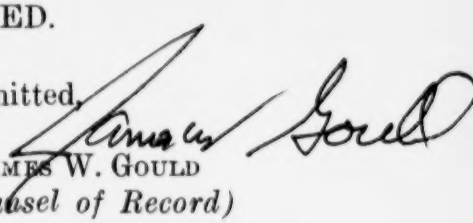
Finally, Novicky did not challenge any of the court's decisions below on due process grounds. Novicky's assertion that he has been deprived of property without due process of law was neither pleaded, argued, nor briefed either in the District Court or in the Federal Circuit, and therefore, this Court should not consider it here. *See e.g., Dunigan* v. *United States,* 274 U.S. 195, 200 (1927); *Ellis* v. *Dixon,* 349 U.S. 458, 460 (1955); *United States* v. *Lovasco,* 431 U.S. 783, 789 n.7 (1977).

VI. CONCLUSION

This legal saga forcefully demonstrates just how far our legal system will go to afford a litigant every opportunity to have his case heard and reviewed, despite repeated, consistent court findings based in large part on Novicky's own admissions. At some point, this litigation must end.

On this record, granting certiorari would itself be an injustice to Syntex and to the Federal Circuit, especially where no conflict exists with other federal or state courts and where the Federal Circuit has applied well established principles of law. Novicky's Petition for Writ of Certiorari should accordingly be DENIED.

Respectfully submitted,



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